Stock code: 2302

Consolidated financial statements and independent auditor's report of Rectron LTD.and its subsidiaries

Fiscal year 2022 and 2021

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Representation Letter

Our company, for the fiscal year 2022 (from January 1, 2022, to December 31, 2022), prepares consolidated financial statements of related companies in accordance with the "Criteria for the Preparation of Business Combination Reports, Consolidated Financial Statements of Related Companies, and Related Reports." The companies included in the preparation of consolidated financial statements of related companies under these criteria are the same as those included in the preparation of consolidated financial statements of parent and subsidiary companies under the International Financial Reporting Standard No. 10 recognized by the Financial Supervisory Commission. Furthermore, the relevant information required to be disclosed in the consolidated financial statements of related companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, no separate consolidated financial statements of related companies will be prepared.

It is hereby declared

Company name: Rectron LTD.

Chairman: Lin I-Chin

Date: March 24, 2023

INDEPENDENT AUDITORS' REPORT

Rectron LTD. Board of Directors –

Auditor's Opinion

The consolidated balance sheets of Rectron LTD.and its subsidiaries (Rectron Group) as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the periods ended December 31, 2022 and 2021, along with the accompanying notes to the consolidated financial statements (including the summary of significant accounting policies), have been audited by our auditors.

In our auditors' opinion, based on their audit findings and other auditors' reports (please refer to the Other Matters section), the aforementioned consolidated financial statements have been prepared in accordance with the Financial Reporting Standards for Issuers of Securities and the International Financial Reporting Standards, endorsed and issued by the Financial Supervisory Commission, and are fairly presented to reflect the financial position of Rectron Group as of December 31, 2022 and 2021, and the financial performance and cash flows for the periods ended December 31, 2022 and 2021.

Basis of Audit Opinion

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards. Our CPA s responsibility under these standards will be further explained in the paragraph of responsibility of the accountant for examining the consolidated financial statements. The personnel of our accounting firm, who are subject to independence regulations, have maintained independence in accordance with the Code of Ethics for Professional Accountants and fulfilled other responsibilities prescribed by the regulations. They have maintained a professional and objective stance in relation to Rectron LTD.and its subsidiaries. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

Key audit matters

The key audit matters refer to those matters that, in the auditor's professional judgment, are of most significance in the audit of the consolidated financial statements of Rectron Group for the year ended 2022. Such items have been taken into consideration in the process of auditing the overall consolidated financial reports and forming audit opinions. The accountant does not express opinions on such items separately. Our CPA determined to address the following key auditing matters in the accountant's report:

1. Revenue Recognition

Please refer to Note 4 (13) of the consolidated financial statements for details on the accounting policy for revenue recognition. Additionally, refer to Note 6 (14) of the consolidated financial statements for a breakdown of revenue by customer contracts.

Explanation of Key Audit Matters

The recognition of revenue is a critical area of focus in our audit of Rectron Group's consolidated financial statements for the year ended 2022. The company's primary source of revenue is derived from the manufacturing and sale of various rectifiers, semiconductor components, and medical devices. The risk lies in ensuring the accuracy and reliability of revenue recognition. The company's viability and ongoing operations depend on a consistent inflow of cash generated from revenue. Therefore, the company's business strategy and operational management are centered around revenue. Consequently, the testing of revenue recognition is a significant assessment area for our audit of Rectron Group's financial statements.

Corresponding audit program：

The main audit procedures performed by the auditor for the above-mentioned key audit matters include testing the controls and effectiveness of the sales and cash collection cycle, as well as sampling the accuracy of recognizing sales revenue around the balance sheet date, which involves verifying warehouse dispatch records and comparing contractual terms. The auditor also evaluates whether control over the goods has been transferred at the appropriate recognition point.

2. inventory valuation

Regarding inventory valuation, please refer to Note 4 (8) "Inventory" for the accounting policy. For the accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 (2). Further explanation on the assessment of inventory valuation can be found in Note 6 (4) "Inventory" of the consolidated financial statements.

Explanation of Key Audit Matters

The valuation of inventory for Rectron Group is subject to the risk of cost exceeding its net realizable value due to fluctuations in international raw material prices and market supply and demand conditions, which may result in significant fluctuations in product selling prices and sales volumes. Therefore, the testing of inventory valuation is considered as one of the important assessment matters in the auditor's examination of Rectron Group's financial statements.

Corresponding audit program：

The main audit procedures performed by the auditor for the above-mentioned key audit matters include reviewing the inventory aging report, analyzing the changes in inventory aging over different periods, assessing the reasonableness of Rectron Group's accounting policies and their implementation, conducting trend analysis on the treatment of obsolete inventory, understanding the basis and methods of inventory valuation, and comparing relevant variances to identify any significant abnormalities.

Other Matters

Inclusion of certain subsidiaries' financial statements in Rectron Group's consolidated financial report that were audited by other auditors and not by the auditor. Therefore, with respect to the financial statements of those subsidiaries listed in the above-mentioned consolidated financial report, the amounts presented are based on the audit reports of other auditors. The total assets of those subsidiaries as of December 31, 2022, and December 31, 2021, accounted for 4% of the total consolidated assets, and the net sales for the period from January 1, 2022, to December 31, 2022, and January 1, 2021, to December 31, 2021, accounted for 16% of the total consolidated net sales.

Rectron LTD.has prepared separate financial statements for the years ended December 31, 2022, and

December 31, 2021, and an audit report with an unqualified opinion and an other matters paragraph has been issued by the auditor, which is available for reference.

Responsibility of the Management and the Governing Body for the Consolidated Financial Reports

The management is responsible for the preparation of the appropriate consolidated financial statements, which are in accordance with the Financial Reporting Standards for Issuers of Securities and approved and issued by the Financial Supervisory Commission, as well as the applicable International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretive Bulletins. They are also responsible for maintaining necessary internal controls related to the preparation of the consolidated financial statements to ensure that they are free from material misstatement caused by fraud or error.

In preparing the consolidated financial statements, the management's responsibility also includes assessing the ability of the Rectron Group to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless there are intentions to liquidate the Rectron Group or cease its operations, or unless there are no other practical alternative courses of action other than liquidation or cessation.

The governance body of Rectron Group, including the Audit Committee, has the responsibility to oversee the financial reporting process.

Responsibility of the CPA to Audit Consolidated Financial Reports

The purpose of the accountant's audit of the consolidated financial reports is to obtain reasonable assurance of whether the consolidated financial reports as a whole are substantially misrepresented due to fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but audit procedures performed in accordance with auditing standards cannot guarantee that material misstatements due to fraud or error in the consolidated financial reports will be detected. Misstatements may arise from fraud or errors. A misrepresentation of an individual amount or sum of transfers is considered significant if it is reasonably expected to affect the economic decisions made by consolidated users of financial reports.

Our auditor exercised professional judgment and skepticism in accordance with the auditing standards.

We also performed the following tasks:

1. We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or errors, designed and performed audit procedures according to those risks, and obtained audit evidence that can sufficiently and appropriately form the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. The understanding of the internal controls relevant to the audit was obtained to design appropriate audit procedures based on the circumstances at that time. However, it should be noted that the objective was not to express an opinion on the effectiveness of the internal controls of Rectron Group.
3. We evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, a conclusion was reached regarding the appropriateness of management's use of the going concern basis of accounting and whether there were any significant

uncertainties that may cast significant doubt on Rectron Group's ability to continue as a going concern. If the accountant considers that there is significant uncertainty in such events or circumstances, he/she shall, in the audit report, alert the users of the consolidated financial reports to the disclosure of the consolidated financial reports or amend the audit opinion if such disclosure is inappropriate. Our conclusions are based on the audit evidence obtained up to the date of this accountant's report. However, it should be noted that future events or circumstances could arise that may jeopardize Rectron Group's ability to continue as a going concern.

5.Evaluate the overall presentation, structure, and content of the consolidated financial statements (including related notes), and determine whether the consolidated financial statements appropriately represent the relevant transactions and events.

6.Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the group in order to express an opinion on the consolidated financial statements. The auditor is responsible for guiding, supervising, and executing the audit of the group engagement and forming an audit opinion on the group's financial statements.

The auditor communicates with the governance body regarding matters such as the planned audit scope and timing, as well as significant audit findings (including significant deficiencies in internal controls identified during the audit process).

The auditor also provides the governance body with a statement that the personnel responsible for independence within the auditor's firm have complied with the independence requirements in the Code of Ethics for Professional Accountants, and communicates with the governance body on all relationships and other matters that could be considered to affect the auditor's independence (including relevant safeguards).

Based on communications with the governance unit, the auditor has determined the key audit matters for the audit of Rectron Group's consolidated financial statements for the year ended in the Republic of China 2022. We described these matters in the accountant's report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Chin Chih and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2023

Notes to Readers
The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Rectron LTD.and its subsidiaries
Consolidated Balance Sheets
As of December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code	Asset	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current Asset:				
1100	Cash and cash equivalents (Note 6(1))	$ 245,962	12	187,464	9
1110	Financial assets at fair value through profit or loss - Current (Note 6(2) and 17)	25,657	1	691	-
1150	Notes receivable, net (Note 6(3) and 14)	2,083	-	2,506	-
1170	Accounts receivable, net (Note 6(3), 14, and 7)	156,377	7	179,445	8
1200	Other receivables	3,178	-	8,025	-
1220	Current income tax assets	1,679	-	1,751	-
130X	Inventory (Note 6(4))	141,704	7	176,443	8
1410	Prepayments	23,375	1	7,054	-
1479	Other current assets - Other	2,166	-	3,587	-
		602,181	28	566,969	25
	Non-Current Asset:	**2022.12.31**		**2021.12.31**	
1517	Non-current financial assets measured at fair value through other comprehensive income (Note 6(2) and (17))	45,229	3	58,420	3
1600	Property, plant, and equipment (Note 6(5) and 8)	497,837	23	514,703	25
1755	Right-of-use assets (Note 6(6), 7, and 8)	15,603	1	13,071	1
1760	Net investment properties (Note 6(7), 7, and 8)	975,678	45	984,046	46
1840	Deferred tax assets (Note 6(XI))	1,321	-	-	-
1990	Other non-current assets - Other (Note 6(3))	7,170	-	10,631	-
		1,551,838	72	1,580,871	75
	Total assets	$ 2,154,019	100	2,147,840	100

Code	Liabilities and Equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current Liability:				
2100	Short-term borrowings (Note 6 (8))	$ 30,000	1	117,000	6
2130	Current portion of lease liabilities (Note 6 (14))	1941	-	1997	-
2170	Accounts payable	129,538	6	111,294	6
2200	Other current liabilities (Note 6 (12) and 7)	36,063	2	35,914	2
2230	Current income tax liabilities	25,821	1	3,115	-
2280	Current lease liabilities	3,018	-	2,346	-
2300	Other current liabilities	1,266	-	1,011	-
		227,647	10	272,767	14
			2280		
	Non-current liabilities：				
2580	Non-current lease liabilities	3,768	-	1834	-
2640	Net defined benefit liabilities - Non-current (Note 6(10))	3,509	-	5,583	-
2570	Deferred tax liabilities (Note 6(11))	62,679	3	62,679	3
2600	Other non-current liabilities (Note 7)	7,376	-	7,031	-
	Total liabilities	77,332	3	77,127	3
		304,979	13	349,894	17
	Equity attributable to owners of the parent (Note 6(12)):				
3110	Share capital - common stock	1,663,029	81	1,663,029	82
3200	Capital surplus	9	-	9	-
3310	Legal reserve	34,364	2	25,812	1
3320	Special surplus reserve	34,924	2	58,466	3
3351	Retained earnings	176,788	8	85,554	4
3400	Other equity	(60,074)	3	(34,924)	(2)
	Total equity	1,849,040	87	1,797,946	83
	Total liabilities and equity	$ 2,154,019	100	2,147,840	100

(Please refer to notes of the financial reports attached)

Rectron Ltd. and its subsidiaries
Consolidated Statements of Consolidated Profit or Loss
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Code	Item	Year 2022 Amount	Year 2022 %	Year 2021 Amount	Year 2021 %
4000	**Operating revenue (Notes 6 (14) and 7)**	$ 877,633	100	745,850	100
5000	**Operating costs (Note 6(4) and (10))**	533,784	61	494,220	66
	Operating gross profit	343,849	39	251,630	34
	Operating expenses (Notes 6 (3), (10),(15) and 12):				
6100	Selling expenses	42,625	5	27,712	4
6200	Management expense	119,962	14	130,870	18
6300	Research and development expenses.	10,522	1	11,175	1
		173,109	20	169,757	23
	Operating net profit	170,740	19	81,873	11
	Non-operating revenue and expenditure (Notes 6 (16) and 7):				
7010	Other revenue	2,208	-	3,582	0
7020	Other Profits and Losses	32,834	4	6,883	1
7050	Financial costs	(1,137)	-	(1,709)	-
	Non-operating revenue and expenditure (Notes 6 (16) and 7):	33,905	4	8,756	1
	Profit before tax				
7950	Less: Income tax expense (Note 6 (11))	204,645	23	90,629	12
	Net profit for the period	28,545	3	5,657	1
	Profit before tax	176,100	20	84,972	11
8300	**Other Consolidated Profit or Loss:**				
8310	**Items Not to Be Reclassified Into Profit or Loss**				
8311	Defined benefit plan - remeasurement amount	144	-	118	-
8316	Investments in equity instruments measured at fair value through other comprehensive income in the financial statements. is not	440	-	1,727	-
	Unrealized gains or losses on equity instruments measured at fair value through other comprehensive income.				
8349	Less: Income tax related to items that are not reclassified	-	-	-	-
	Total of Non-recurring items recognized directly in equity	584	-	1,845	-
8360	**Items may be subsequently reclassified to profit/loss**				
8361	Exchange differences on translation of foreign financial statements	(14,105)	-2	24,991	3
8367	Debt instruments measured at fair value through other comprehensive income in the financial statements. is not	(11,485)	-1	(2,748)	-
	Unrealized gains or losses on equity instruments measured at fair value through other comprehensive income.				
8399	Less: Income tax related to items that may be reclassified	-	-	-	-
	Total of Items may be subsequently reclassified to profit/loss	(25,590)	-3	22,243	3
8300	**Current Other Comprehensive Income**	(25,006)	-3	24,088	3
8500	**Total comprehensive income for the period**	**$ 151,094**	**17**	**109,060**	**14**
	Net profit for the period attributable to:				
8610	Owners of the parent company	**$ 176,100**	**20**	**84,972**	**11**
	Total comprehensive income attributable to:				
8710	Owners of the parent company	**$ 151,094**	**17**	**109,060**	**14**
	Earnings per share (NTD) (Note 6(13))				
9750	**Basic earnings per share**	**$ 1.06**		**0.51**	
9810	**Diluted earnings per share**	**$ 1.06**		**0.51**	

(Please refer to notes of the financial reports attached)

StConsolidated Statement of Changes in Equity for
Rectron LTD.and its subsidiaries
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

	Equity Attributable to Owners of the Parent								
			Undistributed			Other equity items			
	Share capital		Retained earnings				Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
	Common share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Translation adjustments of foreign operations		Total	Total equity
Balance as of January 1, 2021	$ 1,663,029	9	16,089	20,997	97,228	(66,039)	7,573	(58,466)	1,738,886
Net profit for the period	-	-	-	-	84,972	-	-	-	84,972
Current Other Comprehensive Income	-	-	-	-	118	24,991	(1,021)	23,970	24,088
Total comprehensive income for the period	-	-	-	-	85,090	24,991	(1,021)	23,970	109,060
Appropriation and Distribution of Earnings:									
Appropriation to legal reserve	-	-	9,723	-	(9,723)	-	-	-	-
Appropriation to special earnings reserve	-	-	-	37,469	(37,469)	-	-	-	-
Cash dividend for common stock	-	-	-	-	(50,000)	-	-	-	(50,000)
Equity Instruments measured at Fair Value through Other Comprehensive Income (OCI) upon disposal	-	-	-	-	428	-	(428)	(428)	-
Balance as of December 31, 2021	1,663,029	9	25,812	58,466	85,554	(41,048)	6,124	(34,924)	1,797,946
Net profit for the period	-	-	-	-	176,100	-	-	-	176,100
Other comprehensive income for the period	-	-	-	-	144	(14,105)	(11,045)	(25,150)	(25,006)
Total comprehensive income for the period	-	-	-	-	176,244	(14,105)	(11,045)	(25,150)	151,094
Appropriation and Distribution of Earnings:									
Appropriation to legal reserve	-	-	8,552	-	(8,552)	-	-	-	-
Reversal of special reserve	-	-	-	(23,542)	23,542	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(100,000)	-	-	-	(100,000)
As of December 31, 2022 balance.	$ **1,663,029**	**9**	34,364	34,924	176,788	(55,153)	(4,921)	(60,074)	1,849,040

(Please refer to notes of the financial reports attached)

Rectron Ltd. and its subsidiaries
Consolidated Statements of Consolidated Profit or Loss
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Cash Flow from Operating Activities:		**Year 2022**	**Year 2021**
Net profit before tax for the period	$	204,645	90,629
Adjustments:			
Revenue, expense, and loss items			
Depreciation expenses		53,040	53,590
Amortization expense		4,749	4,145
Expected Credit Impairment Reversal Profits		(2,165)	(2,151)
Interest expense		1,137	1,709
Interest income		(1,698)	(3,282)
Dividend income		(510)	(300)
Disposition loss of real estate, plant and equipment		173	-
Reclassification of property, plant, and equipment to expenses		-	1,321
Impairment loss on financial assets		5,508	-
Foreign exchange (gain) loss on financial assets		(2,462)	330
Total income (expense) items		57,772	55,362
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities：			
Notes receivable		423	2,409
Accounts receivable		25,233	(41,011)
Other receivables		5,761	(1,172)
Inventory		34,739	(47,812)
Prepayments		(16,321)	3,306
Other Current Assets		1,421	1,011
And Total Net Changes in Assets Related to Operating Activities		51,256	(83,269)
Net changes in liabilities related to operating activities:			
Current Contract Liabilities		(56)	644
Accounts payable		18,244	(11,841)
Other accounts receivable		2,732	1,498
Other current liabilities		165	(326)
Net defined benefit liabilities		(1,930)	(930)
And Total Net Changes in Liabilities Related to Operating Activities		19,155	(10,955)
And Total Net Changes in Assets and Liabilities Related to Operating Activities		70,411	(94,224)
Total Adjusted Items		128,183	(38,862)
Cash inflow generated from operations		332,828	51,767
Interests received		1,537	3,282
Dividends received		219	300
Interests paid		(1,182)	(1,722)
Income taxes paid		(4,446)	(9,193)
Net cash inflow from operating activities	**$**	328,956	44,434

Rectron Ltd. and its subsidiaries
Consolidated Statements of Consolidated Profit or Loss
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Cash Flow from Investment Activities:	**Year 2022**	**Year 2021**
Acquisition of financial assets at fair value through other comprehensive income	(3,260)	(26,123)
Financial assets measured at fair value through other comprehensive income (FVOCI) upon disposal.	-	4,085
Financial assets measured at FVPL upon acquisition	(64,690)	(691)
Disposal of financial assets measured at FVPL.	34,216	-
Acquisition of property, plants, and equipment	(32,474)	(61,790)
Disposal of property, plants, and equipment	1,072	2,712
Increase in other non-current assets	(1,287)	(109)
Dividends received	291	-
Net cash outflows from investment activities	(66,132)	(81,916)
Cash flows from financing activities: Increase in short-term borrowings.	65,000	20,000
Decrease in short-term borrowings.	(152,000)	(60,000)
Increase in deposits as collateral.	345	-
Decrease in deposits as collateral.	-	(1,351)
Principal repayment of leases	(2,701)	(3,174)
Cash dividends paid	(100,000)	(50,000)
Net cash outflow from financing activities	(189,356)	(94,525)
Effect of exchange rate changes on cash and cash equivalents	(14,970)	22,805
Net increase (decrease) in cash and cash equivalents for the current period.	58,498	(109,202)
Beginning balance of cash and cash equivalents.	187,464	296,666
Ending balance of cash and cash equivalents for the period.	**245,962**	**187,464**

(Please refer to notes of the consolidated financial reports attached)

Notes to the consolidated financial statements of Rectron Ltd. and its subsidiaries Fiscal year 2022 and 2021

(Unless otherwise noted, all amounts are expressed in thousands of New Taiwanese Dollars.)

1. Company history

Rectron Ltd. (hereinafter referred to as "the Company") was established on January 23, 1976 with its registered address at No. 71, Zhongshan Rd., Tucheng Dist., New Taipei City, Taiwan The Company was originally named "Rectron Precision Electronics Industry Co., Ltd." and was renamed "Rectron Ltd." at the shareholders' meeting on June 29, 2000, which was approved by the Ministry of Economic Affairs.

The main business operations of Rectron Ltd. (hereinafter referred to as "the Company") and its subsidiaries (hereinafter collectively referred to as "the Consolidated Companies") include the manufacture and sale of various rectifiers, other semiconductor components, rental and sale of real estate, trading of wines, and manufacture and sale of medical equipment.

2. Date and procedure of approval of the financial report

This consolidated financial report has been approved by the Board of Directors on March 24, 2023 and announced.

3. Applicability of newly issued and revised standards and interpretations

(1) Impacts from adopting the latest and amended standards, and related interpretations approved by the Financial Supervisory Commission (ROC)

The Consolidated Companies have applied the following newly revised International Financial Reporting Standards since January 1, 2022, which have not had a significant impact on the consolidated financial statements.

- Amendment to International Accounting Standard 16 "Property, Plant and Equipment-second before Intended Use"
- Amendment to International Accounting Standard and Compliance 17 Fulfilling a Contract"
- IFRS Annual Improvements to 2018 - 2020Cycle
- The Impact of IFRS 3 Amendments "Reference to the Conceptual Framework"

(2) Regarding the adoption of international financial reporting standards not yet endorsed by the Financial Supervisory Commission.

The consolidated company assesses the application of the following newly revised international financial reporting standards effective from January 1, 2023, and will not have a significant impact on the consolidated financial statements.

- Amendment to International Accounting Standard No. 1 "Disclosure of Accounting Policies"
- Amendment to International Accounting Standard No. 8 "Definition of Accounting Estimates"
- Amendment to International Accounting Standard No. 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction with a Taxable Profit or Loss"

(3) Applicability of newly issued and revised standards and interpretations not yet recognized by the Financial Supervisory Commission (ROC)

The consolidated company expects that the following newly issued and revised standards that have not been approved by the Financial Supervisory Commission of Taiwan [FSC] will not have a significant impact on the consolidated financial statements.

- Amendment to International Financial Reporting Standard No. 10 and International Accounting Standard No. 28 "Sale or Contribution of Assets between an Investor and its

Associate or Joint Venture"

- International Financial Reporting Standard No. 17 "Insurance Contracts" and the amendment to International Financial Reporting Standard No. 17.
- Amendment to International Accounting Standard No. 1 "Classification of Liabilities as Current or Non-current"
- Amendment to International Accounting Standard No. 1 "Non-Current Liabilities with Contractual Terms"
- Amendment to International Financial Reporting Standard No. 17 "Comparative Information on Initial Adoption of IFRS 17 and IFRS 9"
- Amendment to International Financial Reporting Standard No. 16 "Requirements for Sale and Leaseback Transactions"

4. Summary of significant accounting policies

(1) Statement of compliance

This consolidated financial report is prepared in accordance with the Financial Reporting Standards for Issuers of Securities (referred to as "the preparation standards") and the international financial reporting standards, international accounting standards, interpretations, and interpretation notices recognized and issued by the Financial Supervisory Commission (referred to as "the FSC-recognized international financial reporting standards").

(2) Basis of preparation

1. Measurement basis

Except for the significant items presented in the following balance sheet, this consolidated financial report is prepared on a historical cost basis:

(1) Financial assets at fair value through profit or loss measured at fair value through profit or loss, and

(2) Financial assets at fair value through other comprehensive income measured at fair value through other comprehensive income, and

(3) Net defined benefit liabilities (or assets) are measured by deducting the fair value of retirement fund assets from the present value of defined benefit obligations.

2. Functional and presentation currencies

The functional currency of each entity within the consolidated company is the currency of the primary economic environment in which it operates. This consolidated financial report is presented in New Taiwan dollars, which is the functional currency of the Company. All financial information presented in New Taiwan dollars is in thousands of New Taiwan dollars.

(3) Basis of consolidation

1. Principles for consolidated financial report preparation

The preparation of the consolidated financial statements includes the Company and the entities (i.e. subsidiaries) controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

From the date that control over a subsidiary is obtained, its financial statements are included in the consolidated financial statements until the date that control is lost. Intercompany transactions, balances, and any unrealized gains and losses have been fully eliminated in the preparation of the consolidated financial statements. The total comprehensive income of a subsidiary is attributed to the Company's owners and non-controlling interests, even if the non-controlling interests result in a deficit balance.

The financial statements of the subsidiaries have been properly adjusted to ensure that their accounting policies are consistent with those used by the consolidated company.

Changes in the ownership equity interests of subsidiaries that do not result in loss of control are treated as transactions with equity owners. Adjustments to non-controlling interests between fair value paid or received and the carrying amount are directly recognized in equity and attributable to the Company's owners.

2. The subsidiaries included in the consolidated financial statements.

The subsidiaries included in this consolidated financial report are:

Investment Company Name	Subsidiary Name	Nature of Business	Percentage of Ownership 2022.12.31	2021.12.31	Description
The Company	Rectron (China) Limited (hereinafter referred to as "Rectron China")	Sales of rectifiers, etc. Electronic components	100.00%	100.00%	Subsidiaries where the total number of shares representing the directly held voting rights exceeds 50%.
The Company	Rectron Electronic Enterprises Inc. (USA)(hereinafter referred to as "REEI")	Sales of rectifiers, etc. Electronic components	100.00 %	100.00%	Subsidiaries where the total number of shares representing the directly held voting rights exceeds 50%. Subsidiary with capital contribution
The Company	Juding Xingye Co., Ltd (hereinafter referred to as "Juding Xingye")	Wholesale of tobacco and alcohol products and Manufacture of medical equipment Sales	100.00 %	100.00%	Subsidiaries where the total number of shares representing the directly held voting rights exceeds 50%.
Rectron (China) Limited	RECTRON Zhejiang Technology Co., Ltd. (hereinafter referred to as "Zhejiang Rectron")	Production and sales of rectifiers and other electronic components	100.00 %	100.00%	Subsidiaries where the total number of shares representing the directly held voting rights exceeds 50%.

3. Subsidiaries not included in the consolidated financial statements: None.

(4) Foreign Currency

1. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency at the exchange rates on the transaction dates. For each reporting period end date (hereinafter referred to as the "reporting date"), foreign currency monetary items are translated into the functional currency at the exchange rates on that day. Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rates on the measurement date, while those measured at historical cost are translated at the exchange rates on the transaction dates.

Foreign exchange gains or losses are usually recognized in profit or loss, except for the following cases that are recognized in other comprehensive income:

(1) Equity instruments designated as at fair value through other comprehensive income;

(2) Financial liabilities designated as net investment hedges of foreign operations within the effective range of the hedge; or

(3) Cash flow hedges that qualify within the effective range of the hedge.

2. Foreign operating institutions

Assets and liabilities of foreign operating entities, including goodwill and fair value adjustments generated during acquisitions, are translated into New Taiwan dollars based on the exchange rate on the reporting date. Revenue and expense items are translated into New Taiwan dollars based on the average exchange rate of the period. Any exchange differences are recognized in other comprehensive income.

When disposing of foreign operating entities leads to the loss of control, joint control or significant influence, all related accumulated exchange differences are reclassified in full to profit or loss. When partially disposing of subsidiaries that include foreign operating entities, related accumulated exchange differences are reattributed to non-controlling interests in proportion. When partially disposing of investments in associates or joint ventures that include foreign operating entities, related accumulated exchange differences are reclassified to profit or loss in proportion.

For monetary receivables or payables from foreign operating entities that have no settlement plan and cannot be settled in the foreseeable future, any foreign exchange gains or losses are recognized as part of the net investment in the foreign operating entity and recorded in other comprehensive income.

(5) Classification standards for distinguishing current and non-current assets and liabilities

Assets that meet either of the following conditions are classified as current assets, while all other assets that do not belong to current assets are classified as non-current assets:

1. Expected to be realized or consumed within the normal operating cycle or intended to be sold or consumed;
2. Primarily held for trading purposes.
3. Expect to realize the asset within the next twelve months after the reporting period; or
4. The asset is cash or cash equivalents, except when there are restrictions on exchanging or using the asset to settle liabilities within at least twelve months after the reporting period.

Liabilities that meet any of the following conditions are classified as current liabilities, and all other liabilities not meeting the criteria are classified as non-current liabilities:

1. Expected to be settled within the normal operating cycle;
2. Primarily held for the purpose of trading;
3. Expected to be settled within the next twelve months after the reporting period; or
4. Liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability that may be settled by issuing equity instruments at the option of the counterparty do not affect its classification.

(6) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term investments that are highly liquid and have minimal risk of value fluctuations, which can be converted to a fixed amount of cash at any time. Time deposits that meet the above definition and are held to fulfill short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(7) Financial Instruments

Accounts receivable and issued debt securities are initially recognized when generated. All other financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual terms of the financial instrument. Non-derivative financial assets (excluding accounts receivable that are not significant financial components) or financial liabilities that are not measured at fair value through profit or loss are measured by adding the transaction costs directly attributable to the acquisition or issuance to the fair value. Accounts receivable that are not significant financial components are measured at transaction price on initial recognition.

1. Financial Assets

For financial assets purchased or sold in accordance with customary trading practices, the Company records all purchases and sales consistently on the trade date basis for financial assets classified in the same manner.

When initially recognized, financial assets are classified as amortized cost, debt instruments investments measured at fair value through other comprehensive income, equity instruments investments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The Company reclassifies all affected financial assets only when there is a change in the business model for managing the financial assets, effective from the first day of the next reporting period.

(1) Financial assets measured at amortized cost

Financial assets that meet the following conditions and are not designated as measured at fair value through profit or loss are measured at amortized cost:

- The financial asset is held in a business model whose objective is to hold assets in order to collect contractual cash flows.
- The cash flows of the financial asset's contract are solely payments of principal and interest on the principal amount outstanding on specific dates.

When the Company reclassifies a financial asset, it recalculates the effective interest rate and starts recognizing interest income or expense on a trade date basis from the reclassification date. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss upon derecognition of financial assets.

(2) Financial assets measured at fair value through other comprehensive income

Debt instruments investments that simultaneously meet the following conditions and are not designated as fair value through profit or loss are measured at fair value through other comprehensive income:

- payable refer Financial assets held under the operating model with the purposes of collecting contract cash flow and for sales;
- The cash flows of the financial asset's contract are solely payments of principal and interest on the principal amount outstanding on specific dates.

When initially recognized, the consolidated company may make an irrevocable choice to report the subsequent fair value changes of equity instruments that are not held for trading in other comprehensive income. The aforementioned election is made on an instrument-by-instrument basis.

Debt instruments held by investors are subsequently measured at fair value. Interest income, foreign exchange gains and losses, and impairment losses calculated using the effective interest rate method are recognized in profit or loss, while other net gains or losses are recognized in other comprehensive income. Upon disposal, the accumulated amount of other comprehensive income is reclassified to profit or loss.

Equity instruments held by investors are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of a portion of the investment cost) is recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the consolidated company has the right to receive dividends (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit or loss.

Stock Amount Production that do not meet the criteria for amortized cost measurement or fair value measurement through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. At initial recognition, the reporting entity may irrevocably designate a financial asset that meets the criteria for amortized cost or fair value measurement through other comprehensive income as a financial asset measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatch.

Such assets are subsequently measured at fair value, and net gains or losses (including any dividend and interest income) are recognized in profit or loss.

(4) Impairment loss on financial assets

The consolidated company recognizes allowance for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable and trade receivables, other receivables, deposits paid for guarantees and other financial assets) and debt instruments investments and contract assets measured at fair value through other comprehensive income.

The allowance for expected credit losses on the following financial assets is measured based on 12-month expected credit losses, while the rest are measured based on lifetime expected credit losses:

- The credit risk of the debt securities as of the reporting date is considered low; and
- The credit risk (i.e. the risk of default during the expected remaining lifetime of financial instruments) of other debt securities and bank deposits has not increased significantly since initial recognition.

The allowance for expected credit losses on accounts receivable and contract assets is measured based on lifetime expected credit losses

In determining whether credit risk has increased significantly since initial recognition, the consolidated company considers reasonable and supportable information (that can be obtained without undue cost or effort), including qualitative and quantitative information, and analysis based on the consolidated company's historical experience, credit assessments and forward-looking information.

If the credit risk rating of financial instruments is equivalent to the "investment grade" defined globally (such as Standard & Poor's investment grade BBB-, Moody's investment grade Baa3, Taiwan Ratings' investment grade A, or higher than these ratings), the consolidated company considers the credit risk of the debt securities to be low.

If the contractual payments are overdue for more than 180 days, the consolidated company assumes that the credit risk of financial assets has significantly increased.

If the contractual payments are overdue for more than 365 days or the borrower is unlikely to fulfill its credit obligations to pay the full amount to the consolidated company, the consolidated company considers the financial assets to be in default.

The expected credit loss during the remaining term refers to the expected credit loss generated by all possible default events during the expected remaining term of the financial instruments.

Expected credit losses over a 12-month period refer to the estimated credit losses that may arise from default events of financial instruments within 12 months after the reporting date (or a shorter period if the expected lifetime of the financial instrument is less than 12 months).

The longest period to measure expected credit losses is the longest contractual period in which the consolidated entity is exposed to credit risk. Expected credit losses are the probability-weighted estimate of credit losses during the expected lifetime of the financial instrument.

Credit losses are measured at the present value of all cash shortfalls, which is the difference between the present value of cash flows that the consolidated entity is entitled to receive under the contract and the present value of the cash flows that the consolidated entity expects to receive. Expected credit losses are discounted at the effective interest rate of the financial asset.

The consolidated entity evaluates whether there is any credit impairment for financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income on each reporting date. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of impairment of financial assets includes observable data related to the following factors:

- Significant financial difficulties of the borrower or issuer;
- Default, such as delays or overdue for more than 365 days;
- Concessions given by the Company to the borrower due to economic or contractual reasons related to the borrower's financial difficulties that were not considered originally;
- The borrower is highly likely to apply for bankruptcy or other financial reorganization; or
- The active market of the financial asset disappears due to financial difficulties.

The allowance for impairment losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. The allowance for impairment losses on debt instruments measured at fair value through other comprehensive income is adjusted in the income statement and recognized in other comprehensive income (rather than reducing the carrying amount of assets).

When the Company cannot reasonably anticipate the recovery of the financial asset as a whole or in part, the total carrying amount of the financial assets is directly reduced. For corporate customers, the Company performs individual analysis for offsetting based on the timing and amount of reasonable expected recoverable amount. The Company expects that the amount already offset will not be significantly reversed. However, the financial assets that have been offset can still be enforced to comply with the procedure of recovering overdue amounts by the Company.

(5) Disposal of Financial Assets

The financial assets are derecognized only when the contractual rights to the cash flows from the assets have expired, or the financial assets have been transferred and almost all risks and rewards of ownership have been transferred to another enterprise, or when the financial assets have neither been transferred nor retained the control of the financial assets and almost all risks and rewards of ownership have not been retained.

If the enterprise retains almost all risks and rewards of ownership of the transferred financial assets, the assets will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the enterprise are classified as financial liabilities or equity instruments based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(2) Equity transactions

Equity instruments refer to any contract that recognizes the residual equity of the enterprise after deducting all liabilities from its assets. The equity instruments issued by the enterprise are recognized at the amount of proceeds received, net of directly attributable issuance costs.

(3) Financial liabilities

Financial liabilities are classified as either amortized cost or fair value through profit or loss. Financial liabilities held for trading, derivatives, or designated at fair value through profit or loss at initial recognition are classified as fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, and related net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method. Interest expense and exchange gains or losses are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(4) Derecognization of financial liabilities

Financial liabilities are derecognized by the consolidated company when the contractual obligations have been fulfilled, cancelled, or expired. When the terms of a financial liability are modified and the cash flows of the modified liability differ significantly, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the modified terms.

When a financial liability is derecognized, any difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis in the balance sheet only when there is a legally enforceable right to set off the recognized amounts and when there is an intention to settle the assets and liabilities on a net basis or to realize them simultaneously.

(8) Inventory

Inventory is measured at the lower of cost or net realizable value. Cost includes the costs of acquiring, producing or processing inventory to its present location and condition for its intended use, as well as other costs, and is calculated using the weighted average method. The cost of finished and work in progress inventory includes the manufacturing costs allocated to them in proportion to normal capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(9) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both, and not for use in the production or supply of goods or services, for administrative purposes or for sale in the normal course of business. Investment properties are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The depreciation method, useful lives and residual values are the same as those used for buildings and equipment.

The profit or loss on disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

Rental income from investment properties is recognized in the income statement under "Rental income" on a straight-line basis over the lease term. Lease incentives granted are recognized as part of rental income over the lease term.

(10) Property, plants, and equipment

1. Recognition and Measurement

Real estate, plant and equipment items are measured at cost (including capitalized borrowing costs), less accumulated depreciation and any accumulated impairment.

If the useful lives of significant components of real estate, plant and equipment differ, they are treated as separate items (major components) of real estate, plant and equipment.

Gains or losses on disposal of real estate, plant and equipment are recognized in profit or loss.

2. Subsequent Costs

Subsequent expenditures are capitalized only when it is probable that they will result in future economic benefits that flow to the combined company.

3. Depreciation

Depreciation is calculated based on the asset cost less residual value and is recognized in profit or loss using the straight-line method over the estimated useful life of each component.

Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

(1) Buildings and structures 5-55 years

(2) Machinery and equipment 5-10 years

(3) Office equipment 3-10 years

The consolidated company reviews the depreciation method, useful life, and residual value on each reporting date and adjusts them appropriately if necessary.

4. Reclassification to investment properties.

When a property for own use is reclassified as an investment property, the property is reclassified as an investment property at the carrying amount at the date of reclassification.

(11) Leases

The consolidated company assesses whether a contract is or contains a lease on the inception date of the contract. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is or contains a lease.

1. Lessee

The consolidated company recognizes right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are measured at cost, which includes the initial measurement of the lease liability, adjusted for any lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

Depreciation of the right-of-use asset is recognized on a straight-line basis over the shorter of the lease term and the useful life of the asset. In addition, the consolidated company assesses whether there are any indicators of impairment of the right-of-use assets on a regular basis and recognizes any impairment losses incurred. The consolidated company also adjusts the right-of-use asset in the case of a remeasurement of the lease liability.

Lease liabilities are measured at the present value of lease payments not yet paid at the lease commencement date. If the implicit interest rate of the lease is readily determinable, the discount rate is that interest rate. Otherwise, the incremental borrowing rate of the consolidated company is used. Generally, the consolidated company uses its incremental borrowing rate as the discount rate.

Lease payments measured accounted for as lease liabilities include:

(1) Fixed payment, including substantial fixed payments;

(2) Lease payment dependent upon changes to certain indexes or rates, which is originally measured by indexes or rates on the starting date of lease;

(3) Guarantee amount of salvage value expected to be paid; and

(4) Exercise price upon reasonable decision to exercise purchase option or the option to terminate a lease or penalty to be.

Interests of lease liabilities are subsequently accrued by the effective interest method. The amount of which is re-measured under the following conditions:

(1) Changes in indices or rates used to determine lease payments that result in changes in future lease payments;

(2) Changes in the expected residual value guarantee amount.

(3) Changes to evaluation of purchase option of target asset;

(4) There have been changes in the estimates of exercising extension or termination options, which resulted in a reassessment of the lease term evaluation;

(5) modifications to the leased asset, scope, or other terms.

When the lease liabilities are remeasured due to changes in the index or rate used to determine lease payments, changes in the residual value guarantee, and changes in the assessment of options to purchase, extend or terminate, the corresponding adjustment to the carrying amount of the right-of-use assets is recognized, and any remaining revaluation amount is recognized in profit or loss when the carrying amount of the right-of-use assets is reduced to zero.

For lease changes to reduce range of lease, book value of right-of-use asset is reduced to reflect partial or total termination of leases. Difference between which and re-measurement amount of lease liability is recognized in income (loss).

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment property respectively as individual items in balance sheets.

For short-term leases and leases of low-value assets related to office rentals, the consolidated company chooses not to recognize the right-of-use assets and lease liabilities, and instead, recognizes the related lease payments on a straight-line basis over the lease term as expenses.

Sale-and-leaseback transactions are assessed under International Financial Reporting Standard No. 15 to determine if the transfer of assets to the buyer-lessee qualifies for sale treatment. If it is determined that it is treated as a sale, the asset is derecognized and the portion of the rights transferred to the buyer and lessor is recognized in the related income or expense. The leaseback transaction is accounted for using the lessee accounting model, and the right-of-use asset is measured based on the original carrying amount of the portion leased back. If it is determined that the criteria for treatment as a sale are not met, the transaction is treated as financing.

2. Lessor

In transactions where the consolidated company is the lessor, the lease contract is classified based on whether almost all of the risks and rewards associated with ownership of the underlying asset have been transferred on the lease commencement date. If so, it is classified as a finance lease; otherwise, it is classified as an operating lease. In the evaluation process, the consolidated company considers specific indicators, such as whether the lease term covers a significant portion of the economic life of the underlying asset.

If the consolidated company is a sub-lessor, the sub-lease transaction is accounted for separately from the main lease, and the classification of the sub-lease transaction is based on the right-of-use asset generated by the main lease. If the main lease is a short-term lease and is eligible for exemption from recognition, the sub-lease transaction should be classified as an operating lease.

If an agreement includes lease and non-lease components, the Group uses regulations of IFRS 15 to allocate contractual.

The assets held under finance leases are expressed as receivables from finance leases based on the net investment in the lease. The original direct costs incurred in negotiating and arranging operating leases are included in the net investment in the lease. The net investment in the lease is recognized as interest income over the lease term in a pattern that reflects a constant periodic rate of return. For operating leases, the consolidated company recognizes lease payments received as rental income on a straight-line basis over the lease term.

(12) Financial asset impairments

The consolidated company evaluates on each reporting date whether there are indicators of impairment of non-financial assets (excluding inventories and deferred tax assets) that may result in a reduction in the carrying amount. If any indicators exist, the estimated recoverable amount of the asset is determined.

For impairment testing purposes, a group of assets that generates largely independent cash inflows from other individual assets or groups of assets is identified as the smallest identifiable group of assets. The goodwill acquired through business combinations is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use of individual assets or cash-generating units. In estimating the value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, an impairment loss is recognized.

The impairment loss is recognized immediately in profit or loss and reduces the carrying amount of each asset within the unit on a pro-rata basis based on the carrying amount of each asset before the impairment loss.

Non-financial assets other than goodwill are only reversed to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized in prior years (net of depreciation or amortization).

(13) Revenue Recognition

1. Revenue from customer contracts.

Revenue is measured by the consideration expected to be received in exchange for the transfer of goods or services. Revenue is recognized when control of goods or services is transferred to customers and the performance obligations are satisfied. The consolidated company's main revenue items are described as follows:

(1) Sale of Goods - Electronic rectifier diodes and passive semiconductor components.

The consolidated company manufactures electronic components and sells them to electronic equipment manufacturers. Revenue is recognized when control of the products is transferred to customers. Control over the product is deemed to have been transferred when the product has been delivered to the customer, the customer has the full ability to decide on the sales channel and price of the product, and there are no unfulfilled obligations affecting the customer's acceptance of the product. Delivery occurs when the products are shipped to a specific location, and the risks of obsolescence, deterioration, and loss have been transferred to customers. Customers have accepted the products in accordance with the sales contract, the acceptance clauses have expired, or the merging company has objective evidence that all acceptance criteria have been met.

The merging company recognizes accounts receivable upon delivery of goods because it has an unconditional right to receive consideration at that point in time.

(2) Sale of Goods - Trading of alcoholic beverages.

The consolidated company purchases alcoholic products for sale in the retail market and recognizes revenue when the physical product is delivered to the customer. The price is paid immediately upon the customer's purchase of the product.

(3) Sales of Goods - Medical Equipment.

The consolidated company manufactures and sells medical equipment in the retail market, and recognizes revenue when the amount of revenue from transferring the goods can be reliably measured and it is highly probable that economic benefits will flow to the enterprise in the future.

The merging company recognizes accounts receivable upon delivery of goods because it has an unconditional right to receive consideration at that point in time.

(4) Rental income

Rental income from investment properties and income from leasing real estate are recognized as lease income in the operating revenue item.

(5) Components of Financial Statements.

The merged company expects to transfer goods or services to its customers under contracts with payment terms not exceeding one year, and therefore, the merged company does not adjust the transaction price for the time value of money.

(14) Employee benefits

1. Defined contribution plans (DCP)

The obligation to contribute to the defined contribution plan is recognized as an expense during the period in which the employees provide services.

2. Defined benefit plan.

The net obligations of the defined benefit plan in the consolidated financial statements are calculated by discounting the future benefit amounts earned by employees during the current or prior periods to their present value, and subtracting any fair value of plan assets.

The determination of the benefit obligation is annually actuarially calculated using the projected unit credit method by a qualified actuary. When the result of the calculation is favorable to the consolidated company, the recognition of an asset is limited to the present value of any economic benefits obtainable from the plan, which may be derived from refunds or reductions in future contributions to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

Any changes in the remeasurement of the net defined benefit liability, including actuarial gains and losses, return on plan assets (excluding interest), and any changes to the asset ceiling (excluding interest), are immediately recognized in other comprehensive income and accumulated in retained earnings. The net interest cost (income) of the net defined benefit liability (asset) is determined by the consolidated company using the net defined benefit liability (asset) and discount rate determined at the beginning of the reporting period. The net interest cost and other expenses of the defined benefit plan are recognized in income.

When the plan is amended or curtailed, any benefit changes related to the cost of prior service or curtailment gain or loss are immediately recognized in income. When settlement occurs, the consolidated company recognizes the settlement gain or loss of the defined benefit plan.

3. Short-term Employee Benefits.

Short-term employee benefits are recognized as expenses when services are provided. If the merger company has a current legal or constructive obligation resulting from past employee services and the obligation can be reliably estimated, the amount is recognized as a liability.

(15) Income tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax, except for items related to business combinations, direct recognition in equity, or other comprehensive income, shall be recognized in profit or loss.

Current income tax includes the estimated payable income tax or receivable tax refund calculated based on the taxable income (loss) for the year, as well as any adjustments to the payable income tax or receivable tax refund from previous years. The amounts are measured at the best estimate of the expected payments or receipts, based on the statutory tax rate or the substantive enacted tax rate as of the reporting date.

Deferred income tax is recognized by measuring the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The following temporary differences that arise shall not give rise to recognition of deferred income tax:

1. Assets or liabilities recognized in the original transaction that does not constitute a business combination and do not affect accounting profit or taxable income (loss) at the time of the transaction;
2. Temporary differences arising from investments in subsidiaries, associates, and joint ventures that the merging company can control the timing of reversal of the temporary differences and are very likely not to reverse in the foreseeable future; and
3. The temporary taxable differences arising from the initial recognition of goodwill.

Unused tax losses and unused tax credits for future periods, and deductible temporary differences, are recognized as deferred tax assets within the scope of being very likely to have future taxable income available for use. They shall be reassessed on each reporting date, and adjustments shall be made to reduce the related income tax benefits that are unlikely to be realized; or to reverse the amount of the previously reduced income tax benefits that are likely to have sufficient taxable income in the future.

Deferred income tax is measured based on the tax rate expected to be applied when the temporary differences are reversed, based on the statutory tax rate or the substantive enacted tax rate as of the reporting date.

The merging company shall only offset deferred tax assets and deferred tax liabilities when the following conditions are met simultaneously:

1. The current income tax assets and current income tax liabilities are set off with statutory execution authority; and
2. The deferred income tax assets and deferred income tax liabilities are related to one of the taxpayers subject to income tax levied by the same tax authority as follows:
   (1) The same taxpayer; or
   (2) Different taxpayers, but each taxpayer intends to offset the current income tax liabilities and assets on a net basis for each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled, or simultaneously realize assets and settle liabilities.

(16) Earnings per share

The basic and diluted earnings per share attributable to the equity holders of the Company are presented in the consolidated financial statements. Consolidated company the basic earnings per share are calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per shares, the equity of the equity holders of the Company's common shares and the weighted average of the number of outstanding common shares are respectively adjusted by all effects of the potential dilutive common shares before the calculation. The potential dilutive ordinary shares of the Company include the estimated amount of employee compensation accruals.

(17) Segment information

The operating segments are components of the consolidated company engaged in activities that generate revenue and incur expenses. (including revenue and expenses related to transactions with other components of the consolidated company) in its operations. The operating results of all operating segments are regularly reviewed by the primary operating decision-makers of the consolidated company to make resource allocation decisions for the segment and assess its performance. Each operating segment has separate financial information.

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

In preparing these consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets,
liabilities, revenues, and expenses. Actual results may differ from these estimates.

Management continuously reviews its estimates and underlying assumptions, and accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following assumptions and estimates involve significant uncertainties that could result in material adjustments to the carrying amounts of assets and liabilities in the next financial year and have been impacted by the COVID-19 pandemic. Details of these assumptions and estimates are provided below:

(1) Allowance for doubtful accounts for accounts receivable.

The allowance for doubtful accounts of the consolidated company is estimated based on assumptions of default risk and expected loss rates. The consolidated company considers historical experience, current market conditions, and forward-looking estimates as of each reporting date to determine the assumptions and input values to be used when calculating impairment. For detailed explanation of the related assumptions and input values, please refer to Note 6(3).

(2) Inventory evaluation

Due to the requirement to measure inventory at cost or net realizable value, whichever is lower, the consolidated company assesses the amount of inventory cost to be written down to net realizable value due to normal wear and tear, obsolescence, or lack of market sales value as of the evaluation report date. The inventory valuation is primarily based on estimates of product demand during a specific future period, and may be subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for details on the inventory valuation estimate.

The accounting policies and disclosures of the consolidated company include the use of fair value measurement for its financial and non-financial assets and liabilities. The consolidated company has established internal control systems for fair value measurement. This includes establishing an assessment team responsible for reviewing all significant fair value measurements (including level 3 fair value) and reporting directly to the Chief Financial Officer. The assessment team periodically reviews significant unobservable inputs and adjustments. If third-party information (such as brokers or pricing service organizations) is used as inputs to measure fair value, the assessment team will evaluate the evidence supporting the input values provided by the third party to ensure that the valuation and its fair value classification comply with International Financial

Reporting Standards. Investment properties are periodically evaluated by the consolidated company in accordance with the evaluation method and parameter assumptions announced by the Financial Supervisory Commission, or by external appraisers appointed by the company.

The consolidated company uses observable market inputs as much as possible when measuring its assets and liabilities. The fair value level is classified based on the input values used by the valuation technique, as follows:

- Level 1: Assets or liabilities with the same assets or liabilities traded in active markets at unadjusted public prices.
- Level 2: Assets or liabilities not included in Level 1 with input parameters that are directly (i.e., price) or indirectly (i.e., derived from prices) observable.
- Level 3: Assets or liabilities with input parameters not based on observable market data (unobservable parameters). Please refer to the following notes for information related to the assumptions used in measuring fair value:

1. Note 6 (7), Investment properties
2. Note6 (17), Financial Instruments

6. Explanation of Significant Accounting Items

(1) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash and cash equivalents.	$ 138	173
Bank deposit	227,398	187,291
Time Deposits	18,426	-
Cash and cash equivalents as presented in the consolidated statement of cash flows.	**$ 245,962**	**187,464**

For disclosure of interest rate risk and sensitivity analysis of the consolidated financial assets and liabilities, please refer to Note 6(17).

(2) Financial Assets

1. Financial assets at fair value through profit or loss - Current

	2022.12.31	2021.12.31
Financial assets designated at fair value through profit or loss:		
Foreign listed equity - Tesla	$ 5,296	-
Foreign listed equity - Amazon	14,446	-
Domestic listed equity - TSMC	5,382	-
Financial Assets at Fair Value through Profit or Loss – Mandatorily：		
Beneficiary certificates	533	691
Total	**$ 25,657**	**691**

2. Financial assets carried at fair value through other comprehensive income - non-current

	2022.12.31	2021.12.31
Debt instruments measured at fair value through other comprehensive income:		
Foreign corporate bonds - Apple	$ 25,444	26,746
Foreign corporate bonds - AT&T	8,631	11,006
Foreign corporate bonds - Pfizer	4,154	5,108
Equity instruments measured at fair value through other comprehensive income:		
Domestic unlisted (OTC) company stocks - SunnyBank.	16,000	15,560
Total	**$ 54,229**	**58,420**

(1) Debt instruments measured at fair value through other comprehensive income in the financial statements.

The Company consolidated investments in bonds measured at fair value through other comprehensive income in the financial statements as of December 31, 2022 and 2021. The effective interest rates range from 2.00% to 4.01%, and the maturity dates range from 2056 to 2065. The Company holds bond investments through the business model of collecting contractual cash flows and selling financial assets, and therefore reports them as financial assets measured at fair value through other comprehensive income.

(2) Investments in equity instruments measured at fair value through other comprehensive income in the financial statements.

The Company holds these equity instrument investments as long-term strategic investments and not for trading purposes, and therefore designates them as financial assets measured at fair value through other comprehensive income.

The Company sold a portion of its equity instrument investments measured at fair value through other comprehensive income in the financial statements in 2021, with a fair value of NT$4,085 thousand and an accumulated gain of NT$428 thousand. As a result, the accumulated gain was transferred from other equity to retained earnings.

(3) For credit risk (including impairment of debt instrument investments) and market risk information, please refer to Note 6(17).

(4) The above-mentioned financial asset investments held by the Company as of December 31, 2022 and 2021 were not pledged or secured.

(3) Accounts receivable, accounts receivable from related parties, and long-term receivables.

	2022.12.31	2021.12.31
Accounts Receivable - Generated from Sales	$ 2,083	2,506
Accounts receivable	186,944	209,895
Long-term Accounts Receivable	48,227	48,227
Less: Allowance for Doubtful Accounts	(78,794)	(78,677)
	$ 158,460	**181,951**

For all accounts receivable and long-term accounts receivable, the consolidated company uses a simplified approach to estimate expected credit losses, i.e. using expected credit losses over the remaining life of the financial assets. For this measurement purpose, these accounts are grouped based on the shared credit risk characteristics of customers to pay all amounts due under the contract terms, and forward-looking information, including macroeconomic and industry-specific information, has been incorporated. The expected credit loss analysis of accounts receivable, long-term accounts receivable, and long-term receivables of the consolidated company are as follows:

	2022.12.31		
	Accounts receivable Book Value	**Weighted average expected credit loss rate**	**Expected credit loss during allowance of continuity**
Not past due	$ 121,502	0%~0.3%	-
Up to 180 days past due	37,246	0.3%~3.58%	288
Past due for more than 181 days	78,506	100%	78,506
	$ 237,254		**78,794**

	2021.12.31		
	Accounts receivable Book Value	**Weighted average expected credit loss rate**	**Expected credit loss during allowance of continuity**
Not past due	$ 146,141	0%~0.25%	-
Up to 180 days past due	35,843	0.5%~10%	33
Past due for more than 181 days	78,644	100%	78,644
	$ 260,628		**78,677**

The table of changes in the allowance for doubtful accounts for accounts receivable and long-term accounts receivable of the consolidated company is as follows:

	Year 2022	**Year 2021**
Opening balance	$ 78,677	83,382
Recognized impairment loss	-	90
The amount written off during the year due to uncollectible accounts	(931)	(1,903)
The amount written off during the year due to the collection of accounts	(2,165)	(2,241)
The impact of exchange rate fluctuations	3,213	(651)
Closing balance	**$ 78,794**	**78,677**

On December 31, 2022 and 2021, neither the accounts receivable nor the long-term accounts receivable of the merged company were pledged as collateral.

(4) Inventory.

		2022.12.31	2021.12.31
Raw materials and consumables	$	30,189	30,498
Work in progress		27,206	50,231
Finished Goods Inventory		68,078	58,618
Product		28,262	40,122
Goods-in-Transit Inventory and Raw Materials		4,312	10,485
Subtotal		158,047	189,954
Less: Allowance for inventory losses.		(16,343)	(13,511)
	$	**141,704**	**176,443**

The details of inventory-related expenses recognized by the consolidated company in the 2022 and 2021 fiscal years are as follows:

		Year 2022	Year 2021
Reversal of inventory sold.	$	516,278	472,056
Inventory impairment and obsolescence losses (gain from recovery).		2,832	(1,254)
The impact of actual production capacity being lower than normal capacity.		1,898	11,355
Loss on inventory write-off		-	94
Total	**$**	**521,008**	**482,251**

As of December 31, 2022 and 2021, the inventory of the consolidated company was not provided as collateral.

(5) Property, plants, and equipment

The details of cost, depreciation, and impairment losses on real estate, plants, and equipment of the consolidated company in the 2022 and 2021 fiscal years are as follows:

	Land	Buildings and structures	Machinery and equipment	Office equipment	Work in progress	Total
Cost or deemed cost:						
January 1, 2022 balance	$ 181,394	249,527	664,281	54,395	12,690	1,162,287
Add	-	-	16,704	1,528	11,704	29,936
Disposal	-	-	(5,898)	(24)	-	(5,922)
Reclassification (transfer).	-	-	10,614	-	(10,614)	-
Effect of exchange rate changes	-	3,866	1,089	521	172	5,648
December 31, 2022 balance	**$ 181,394**	**253,393**	**686,790**	**56,420**	**13,952**	**1,191,949**
January 1, 2021 balance	$ 181,394	247,757	600,002	53,660	16,121	1,098,934
Add	-	-	51,222	95	10,473	61,790
Reclassification (transfer).	-	-	9,716	515	(11,182)	(951)
Disposal	-	-	-	-	(2,712)	(2,712)
Affected number of exchange rate changes	-	1,770	3,341	125	(10)	5,226
December 31, 2021 balance	**$ 181,394**	**249,527**	**664,281**	**54,395**	**12,690**	**1,162,287**
Depreciation and impairment loss：						
January 1, 2022 balance	$ -	115,638	488,073	43,873	-	647,584
Depreciation of this year	-	10,469	25,299	3,674	-	39,442
Disposal	-	-	(3,903)	(24)	-	(3,927)
Affected number of exchange rate changes	-	1,997	8,554	462	-	11,013
December 31, 2022 balance	$ -	**128,104**	**518,023**	**47,985**	**-**	**694,112**
January 1, 2021 balance	$ -	104,488	458,316	40,229	-	603,033
Depreciation of this year	-	10,316	26,441	3,523	-	40,280
Effect of exchange rate changes	-	834	3,316	121	-	4,271
December 31, 2021 balance	$ -	**115,638**	**488,073**	**43,873**	**-**	**647,584**
Book value						
December 31, 2022	**$ 181,394**	**125,289**	**168,767**	**8,435**	**13,952**	**497,837**
January 1, 2021	**$ 181,394**	**143,269**	**141,686**	**13,431**	**16,121**	**495,901**
December 31, 2021	**$ 181,394**	**133,889**	**176,208**	**10,522**	**12,690**	**514,703**

Details of the mortgaged real estate, plants, and equipment as of December 31, 2022 and 2021, are explained in Note 8.

(6) Right-of-use Assets

The changes in cost, depreciation, and impairment losses of leased land, buildings, transportation equipment, and other equipment of the consolidated company are as follows:

	Land	Buildings and Construction	Transportation equipment	Other equipment	Total
Cost of Leased Assets:					
January 1, 2022 balance	$ 9,948	6,506	4,505	280	21,239
Add	-	5,307	-	-	5,307
Disposal	-	-	(3,063)	(280)	(3,343)
Affected number of exchange rate changes	248	1,014	-	-	1,262
December 31, 2022 balance	**$ 10,196**	**12,827**	**1,442**	**-**	**24,465**
January 1, 2022 balance	$ 9,834	6,625	4,505	280	21,244
Effect of exchange rate changes	114	(119)	-	-	(5)
December 31, 2021 balance	**$ 9,948**	**6,506**	**4,505**	**280**	**21,239**

Accumulated depreciation of operating lease assets:

Book value

	Land	Buildings and Construction	Transportation equipment	Other equipment	Total
January 1, 2022 balance	$ 915	3,250	3,789	214	8,168
Depreciation of this year	312	2,706	476	66	3,560
Disposal	-	-	(3,063)	(280)	(3,343)
Affected number of exchange rate changes	25	452	-	-	477
December 31, 2022 balance	**$ 1,252**	**6,408**	**1,202**	**-**	**8,862**
January 1, 2021 balance	$ 604	1,493	2,541	142	4,780
Depreciation of this year	305	1,722	1,248	72	3,347
Effect of exchange rate changes	6	35	-	-	41
December 31, 2021 balance	**$ 915**	**3,250**	**3,789**	**214**	**8,168**
December 31, 2022	**$ 8,944**	**6,419**	**240**	**-**	**15,603**
January 1, 2021	**$ 9,230**	**5,132**	**1,964**	**138**	**16,464**
December 31, 2021	**$ 9,033**	**3,256**	**716**	**66**	**13,071**

(7) Investment properties

Cost or deemed cost:	Land and land improvements	Buildings and structures and Subsidiary equipment	Total
January 1, 2022 balance	$ 663,510	374,230	1,037,740
Effect of exchange rate changes	-	2,101	2,101
December 31, 2022 balance	**$ 663,510**	**376,331**	**1,039,841**
January 1, 2021 balance	$ 663,510	373,268	1,036,778
Effect of exchange rate changes	-	962	962
December 31, 2021 balance	**$ 663,510**	**374,230**	**1,037,740**

	Land and land improvements	Buildings and structures and Subsidiary equipment	Total
Depreciation and impairment loss：			
January 1, 2022 balance	$ -	53,694	53,694
Depreciation of this year	-	10,038	10,038
Effect of exchange rate changes	-	431	431
December 31, 2022 balance	$ -	64,163	64,163
January 1, 2021 balance	$ -	43,607	43,607
Depreciation of this year	-	9,963	9,963
Effect of exchange rate changes	-	124	124
December 31, 2021 balance	$ -	53,694	53,694
Book Value			
December 31, 2022	$ 663,510	312,168	975,678
January 1, 2021	$ 663,510	329,661	993,171
December 31, 2021	$ 663,510	320,536	984,046
Fair value			
December 31, 2022			$ 1,873,841
January 1, 2021			$ 1,787,031
December 31, 2021			$ 1,818,136

1. Investment properties are self-owned assets held by the consolidated company. The original non-cancellable lease term for investment properties for lease is 1 to 6 years.
2. Due to the restriction on private entities from acquiring farmland under the law at the time, some of the real estate investments of the consolidated company were registered under the name of the director Lin Wen-Teng in his personal capacity. In order to ensure the preservation of the consolidated company's assets, the land was pledged back to the consolidated company.
3. As of December 31, 2022 and 2021, please refer to Note 8 for details on the pledge status of investment properties of the consolidated company.

(8) Short-term borrowings

Short-term borrowings of the consolidated company are detailed as follows:

	2022.12.31	2021.12.31
Secured bank loans	$ 30,000	117,000
Quote yet for use	$ 370,000	283,000
Interest rate range	1.29%~1.79%	1.28%~1.29%

For conditions of guarantee made by the Group with asset collateral for bank borrowing, please refer to Note 8.

(9) Operating lease

1. Rental by the Lessor

The merged company leases its investment properties through operating leases. Please refer to Note 6(7) for details. The future minimum lease payments receivable for non-cancellable lease agreements are as follows:

	2022.12.31	2021.12.31
Less than one year	$ 32,391	25,525
1-2 years	26,239	20,666
2-3 years	12,930	16,963
3-4 years	4,952	6,729
4-5 years	4,355	3,652
Over 5 years	-	609
Total undiscounted lease payments	**$ 80,867**	**74,144**

(10) Employee benefits

1. Defined benefit plan.

The adjustments to the present value of benefit obligation and fair value of plan assets for the merged company are as follows:

	2022.12.31	2021.12.31
Present value of benefit obligation	$ 9,523	11,642
Fair value of plan assets	(6,014)	(6,059)
Net defined benefit liability	**$ 3,509**	**5,583**

The merged company's defined benefit plan contributions are transferred to the retirement reserve account for employees of Taiwan Bank. Retirement benefits for each employee subject to the Labor Standards Act are calculated based on their years of service, base salary, and average salary for the six months prior to retirement.

(1) Composition of plan assets:

The retirement fund accrued by the merged company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the BLF), and the use of the fund must comply with the "Regulations Governing the Receipt, Disbursement and Investment of Labor Retirement Funds." The minimum return on the annual settlement and distribution of the fund shall not be lower than the return calculated based on the interest rate of a two-year fixed deposit of a local bank.

As of the reporting date, the balance of the merged company's retirement reserve account at Taiwan Bank is NT$6,014,000. The data on the operation of labor retirement funds includes the fund yield and asset allocation, which are disclosed on the website of the Bureau of Labor Funds.

(2) Changes in the present value of the benefit obligation.

The changes in the present value of the benefit obligation of the merged company in 2022 and 2021 are as follows:

	Year 2022	Year 2021
January 1st Defined Benefit Obligation	$ 11,642	12,718
Current service cost and interest	163	120
Net remeasurement of defined benefit liability (asset)		
－Actuarial gains and losses resulting from changes in financial assumptions	314	(28)
Benefits already paid under the plan	-	(1,168)
Benefits payable under the plan	(2,596)	-
Defined benefit obligation as of December 31st	**$ 9,523**	**11,642**

(3) Changes in fair value of plan assets

Changes in fair value of plan assets for the Company's defined benefit plan for the years 2022 and 2021 are as follows:

	Year 2022	Year 2021
The fair value of plan assets as of January 1st.	$ 6,059	6,087
Interest income	43	18
Net remeasurement of defined benefit (liability) asset.		
－Plan asset return (excluding current interest).	458	90
Amounts recognized as contributions to the plan.	151	198
Benefits already paid under the plan	(697)	(334)
Fair value of plan assets as of December 31.	**$ 6,014**	**6,059**

(4) Recognized as expenses in income statement.

The details of expenses reported by the merged company for the 2022 and 2021 fiscal years are as follows:

	Year 2022	Year 2021
Current service costs	$ 81	82
Net interest on the net defined benefit liability (asset) recognized.	39	20
	$ 120	**102**
Operating cost	$ 42	36
Selling expenses	12	18
Management expense	66	45
Research and development expenses.	-	3
	$ 120	**102**

(5) Recognized as the re-measurement amount of net defined benefit liability (asset) in other comprehensive income.

The accumulated amount recognized in other comprehensive income for the net defined benefit liability (asset) re-measurement by the consolidated company is as follows:

		Year 2022	Year 2021
January 1st accumulated balance	$	(1,376)	(1,494)
Current period recognized amount		144	118
Accumulated balance as of December 31	$	(1,232)	**(1,376)**

(6) Actuarial Assumptions

The significant actuarial assumptions used by the Company at the end of the financial reporting period to determine the present value of the defined benefit obligation are as follows:

	2022.12.31	2021.12.31
Discount rate	1.30 %	0.70%
Future salary increase	1.25 %	1.25%

The Company is expected to pay an amount of NTD 137,000 to the defined benefit plan within one year after the reporting date of the 2022 fiscal year.

The weighted average remaining service period of the defined benefit plan is 10 years.

(7) Sensitivity analysis

When calculating the present value of defined benefit obligations, the Company must use judgement and estimation to determine actuarial assumptions on the balance sheet date, including discount rates, employee turnover rates, and future salary changes. Any changes to actuarial assumptions may significantly impact the amount of the Company's defined benefit obligations.

The impact of significant changes to the main actuarial assumptions adopted on December 31, 2022 and December 31, 2021 on the present value of defined benefit obligations is as follows:

		Impact on the defined benefit obligation.	
		Addition	Decrease
December 31, 2022			
Discount rate (change by 0.25%)	$	(154)	159
Future salary increase (change by 0.25%)		142	(139)
December 31, 2021			
Discount rate (change by 0.25%)		(220)	227
Future salary increase (change by 0.25%)		197	(192)

The sensitivity analysis above examines the impact of a single assumption change while holding other assumptions constant. In practice, many assumption changes may be interrelated. Sensitivity analysis is consistent with the method used to calculate the net defined benefit liability on the balance sheet.

The method and assumptions used in this period's sensitivity analysis are the same as those used in the previous period.

Defined contribution plans (DCP)

The company's defined contribution plan is in accordance with the Labor Pension Act, which requires a contribution rate of 6% of an employee's monthly salary to be deposited into an individual account with the Labor Insurance Bureau for retirement benefits. Under this plan, the company contributes a fixed amount to the Labor Insurance Bureau and has no legal or constructive obligation to pay additional amounts.

	Year 2022	Year 2021
Operating cost	$ 520	700
Selling expenses	201	130
Management expense	683	715
Research and development expenses.	56	93
	$ 1,460	1,638

2. Details of retirement benefit expenses recognized by foreign subsidiaries in accordance with local laws are as follows:

	Year 2022	Year 2021
Management expense	$ 3,320	4,019

(11) Income tax

1. The details of income tax expenses of the consolidated company are as follows:

	Year 2022	Year 2021
Income tax expense		
Current period activities	$ 29,978	4,712
Tax on unappropriated earnings	-	19
Adjustment of prior-period income taxes.	(112)	926
	29,866	5,657
Deferred income tax expense		
Occurrence and reversal of temporary differences	(1,321)	-
Income tax expense	$ 28,545	5,657

2. The adjustment of the relationship between income tax expense and pre-tax net income for the fiscal year 2022 and 2021 of the consolidated company is as follows:

	Year 2022	Year 2021
Profit before tax	$ 204,645	90,629
Income tax calculated according to domestic tax rate of the location of the Company	40,929	18,126
Difference in foreign tax rates	(379)	568
Non-deductible expenses.	11	7
Impairment losses on domestic financial assets	253	-
Recognition of previously unrecognized tax losses from prior periods	(10,096)	(14,849)
Changes in unrecognized temporary differences	(1,438)	884
Adjustment of prior-period income taxes.	(112)	926
Tax on unappropriated earnings	-	19
Other	(623)	(24)
Total	**$ 28,545**	**5,657**

3. Deferred tax assets and liabilities

(1) unrecognized deferred tax assets

Items not recognized as deferred income tax assets by the Group are as follows:

	2022.12.31	2021.12.31
Deductible temporary differences	$ 65,770	67,128
Tax losses	9,852	9,222
	$ 75,622	**76,350**

Tax losses are carried forward for five years in accordance with the tax laws of the People's Republic of China, as approved by the tax authorities. The losses can be deducted from the current year's net income and subject to income tax. These items are not recognized as deferred tax assets because it is not probable that the temporary differences will be utilized against sufficient taxable income in the future.

As of December 31, 2022, the Company has not recognized tax losses as deferred tax assets. The expiration dates of the tax losses are as follows:

Loss Year	**Loss yet to be deducted Mainland China subsidiary**	**Last year for deduction**
Fiscal year 2019 (as approved)	**$ 9,177**	**Fiscal year 2024**
Fiscal year 2020 (as approved)	**30,229**	**Fiscal year 2025**
	$ 39,406	

(2) Recognized deferred income tax assets (and liabilities)

Changes in Deferred Income Tax Assets and Liabilities for the Years Ended 2022 and 2021: Deferred Income Tax Assets:

	Other
January 1, 2022	$ -
(Debit)/Credit Income Statement	1,321
December 31, 2022	**$ 1,321**

Deferred income tax liabilities:

	Land value increment tax reserve
January 1, 2022	$ 62,679
December 31, 2022	**$ 62,679**
January 1, 2021	$ 62,679
December 31, 2021	**$ 62,679**

4. Approval conditions of income tax
   (1) Income tax returns of the Company's profit-seeking enterprise have been authorized by the audit authorities to 2020.
   (2) Our domestic subsidiary's corporate income tax settlement and declaration has been approved by the tax authorities until the year 2020.

(12) Capital and other equities

1. The issuance of common stock.

As of December 31, 2022 and 2021, the total par value of the authorized common stock of the Company was $4,000 thousand, consisting of 400,000 thousand shares with a par value of $10 per share. The total issued common shares were 166,303 thousand shares and all the proceeds from the issuance of the issued shares have been received.

2. Capital surplus

Content of the Company's capital surplus balance is as follows:

	2022.12.31	2021.12.31
Treasury stock	$ 9	9

According to the Company Act, the capital surplus must be used to offset losses before new shares or cash can be issued in proportion to shareholders' original shares. The "realized capital surplus" referred to in the preceding paragraph includes the surplus resulting from the issuance of shares at a premium over their face value and income from receiving gifts. According to the Guidelines for Handling the Offering and Issuance of Securities by Issuers, the capital surplus may be set aside as capital, and the total amount set aside each year shall not exceed 10% of the paid-in capital.

3. Retained earnings

If the annual financial statements of the Company show a profit, the Company shall first pay taxes and donate to public welfare funds, make up for accumulated losses, and allocate 10% of the profit as legal reserve fund, but when the legal reserve fund reaches the Company's paid-in capital, no further allocation is required. Other allocations or reversal of special surplus funds shall be made in accordance with laws and regulations. If there is still profit left after the above allocation, it shall be combined with the undistributed earnings from the beginning of the period as distributable earnings, and shall be proposed by the Board of Directors for approval at the shareholders' meeting for distribution to shareholders as dividends.

Based on financial, business, and operational considerations, the Company may distribute dividends to shareholders at no less than 10% of the distributable earnings of the current fiscal year. However, if the accumulated distributable earnings are less than 3% of the paid-in capital, no distribution shall be made. The aforementioned dividends may be distributed in cash or stock, with cash dividends being given priority. The proportion of cash dividends shall not be less than 10% of the total dividends.

If the aforementioned shareholder dividends are to be distributed in cash, the Board of Directors is authorized to implement the decision with the consent of two-thirds or more of the attending directors and a majority of the attending directors, and to report it to the shareholders' meeting.

(1) Legal reserve

When the Company has no losses, it may distribute new shares or cash by using the statutory surplus reserve upon approval of the shareholders' meeting, subject to the limitation of the surplus reserve exceeding 25% of the paid-in capital.

(2) Special reserve

Upon initial adoption of International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission, the Company chose to apply the exemption item of IFRS 1 "First-time Adoption of International Financial Reporting Standards." Unrealized revaluation gains, cumulative translation adjustments (gains), and assets classified as "investment property" on the transition date were not recognized in equity. In accordance with the FSC Order No. 1010012865 issued on April 6, 2012, the same amount of special surplus reserve shall be appropriated. When related assets are used, disposed of, or reclassified, the proportion of the originally appropriated special surplus reserve may be reversed and distributed as profits.

According to the regulations of the Financial Supervisory Commission, when distributing distributable earnings, the Company shall deduct the net amount of other shareholders' equity reduction items recorded during the year and the difference between the special surplus reserve balance mentioned in the previous paragraph. When distributing the earnings of fiscal year 2020 in 2021, the Company appropriated the current year's profit or loss and the undistributed earnings of prior years to the special surplus reserve. When distributing the earnings of fiscal year 2021 in 2022, the Company appropriated the amount of the current year's after-tax net income and items other than the current year's after-tax net income to the undistributed earnings of the current year, and made up for the special surplus reserve of prior years. If there are any other shareholders' equity reduction items accumulated in prior years, they shall not be distributed from the special surplus reserve made up for undistributed earnings of prior years. When there is a reversal of the amount of reduction in other shareholders' equity items, the Company may distribute the profits for the corresponding portion. As of December 31, 2022 and 2021, the remaining balance of the special reserve for surplus was $34,924 and $58,466, respectively.

(3) Earning distribution

On March 31, 2022, this company resolved the cash dividend amount for the fiscal year 2021 distribution plan for profits at the Board of Directors meeting. On June 30, 2022, the fiscal year 2021 other profit distribution plan was approved at the Shareholders' Meeting. In addition, the fiscal year 2020 profit distribution plan was approved at the Shareholders' Meeting on August 30, 2021. Relevant information can be found on the Public Information Observation Platform. The amounts of distribution to the shareholders are as follows.

	Year2021		**Year2020**	
	Stock Dividend Rate (NTD)	Amount	Stock Dividend Rate (NTD)	Amount
Dividends allocated to common shareholders:				
Cash $	0.60	**100,000**	0.30	**50,000**

4. Other equity

	Foreign currency translation differences in financial statements of overseas operating entities.	Unrealized gains and losses on financial assets measured at fair value through other comprehensive income.	TOTAL
January 1, 2022 balance	$ (41,048)	6,124	(34,924)
Translation: Foreign exchange gains/losses arising from the conversion of net assets of overseas operating entities.	(14,105)	-	(14,105)
Unrealized losses on financial assets measured at fair value through other comprehensive income. (Loss)	-	(11,045)	(11,045)
December 31, 2022 balance	$ 55,153	**(4,921)**	**(60,074)**
January 1, 2021 balance	$ (66,039)	7,573	(58,466)
Translation: Foreign exchange gains/losses arising from the conversion of net assets of overseas operating entities.	24,991	-	24,991
Unrealized losses on financial assets measured at fair value through other comprehensive income.	-	(1,021)	(1,021)
Disposal Equity instrument with no open quotes measured at fair value in equity instruments	-	(428)	(428)
December 31, 2021 balance	$ 41,048	**6,124**	**(34,924)**

(13) Earnings per share

1. Basic earnings per share

The basic earnings per share of the consolidated company for the years 2022 and 2021 were calculated based on the net profit attributable to the owners of the common stock equity of the Company and the weighted average number of common shares outstanding. The relevant calculations are as follows:

(1) Profit or loss attributable to the owners of the common stock equity of the Company.

	Year 2022	Year 2021
Net profit attributable to the company	$176,100	84,972

(2) Weighted average number of outstanding common shares

		Year 2022	Year 2021
Weighted average number of outstanding shares of common stock (in thousands)		166,303	166,303
Earnings per share ($)	$	1.06	0.51

2. Diluted earnings per share

Diluted earnings per share for the years ended 2022 and 2021 on a consolidated basis are calculated based on the net income attributable to shareholders of the Company and the adjusted weighted average number of common shares outstanding for the dilutive effect of all potential common shares, as follows:

(1) Net income attributable to shareholders of the Company.

		Year 2022	Year 2021
Net profit attributable to shareholders of the parent company (basic)	$	176,100	84,972

(2) Weighted average number of outstanding common shares

		Year 2022	Year 2021
Weighted average number of outstanding common shares (basic) (thousand shares)		166,303	166,303
Impact of Employee Stock Bonuses		164	67
Weighted average number of diluted shares outstanding (thousands of shares)		166,467	166,370
Earnings per share ($)	$	1.06	0.51

(14) Customer Contract Revenue

1.Revenue breakdown:

	Year 2022				
Primary Geographic Markets:	**Electronics Department**	**Real Estate Investment**	**Medical Equipment Department**	**Wine Trading Department**	**Total**
Asia	$ 632,925	26,873	62,515	5,371	727,684
Americas	132,672	-	2,885	-	135,557
Europe	13,188	-	-	-	13,188
Others	1,204	-	-	-	1,204
	$ 779,989	**26,873**	**65,400**	**5,371**	**877,633**

	Year 2022				
	Electronics Department	**Real Estate Investment Department**	**Medical Equipment Department**	**Wine Trading Department**	**Total**
Main products/services:					
Sales of electronic components	$ 779,989	-	-	-	779,989
Rental income	-	26,873	-	-	26,873
Sales of medical equipment	-	-	65,400	-	65,400
Wine Trading	-	-	-	5,371	5,371
	$ 779,989	**26,873**	**65,400**	**5,371**	**877,633**

	Year 2021				
Main Regional Markets	Electronics Department	Real Estate Investment Department	Medical Equipment Department	Wine Trading Department	TOTAL
Asia	$ 551,092	29,677	51,101	2,937	634,807
Americas	70,249		9,704		79,953
Europe	29,675				29,675
Others	1,415				1,415
	652,431	29,677	60,805	2,937	745,850
Main products/services:					
Sales of electronic components	$ 652,431				652,431
Rental income		29,677			29,677
Sales of medical equipment			60,805		60,805
Wine Trading				2,937	2,937
	$ 652,431	29,677	60,805	2,937	745,850

2. Contract Balance

	2022.12.31	**2021.12.31**	**2012.01.01**
Accounts receivable	$ 189,027	212,401	176,353
Less: Allowance for Doubtful Accounts	(30,567)	(30,450)	(35,155)
Total	**$ 158,460**	**181,951**	**141,198**
Contractual liabilities	**$ 1,941**	**1,997**	**1,353**

Disclosure of accounts and notes receivable and their impairment should be detailed in Note 6 (3).

(15) Employee and Director Remuneration

Pursuant to the Company's Articles of Incorporation, if a profit is made during the year, no less than 1% should be allocated for employee compensation, and no more than 2% for directors' and supervisors' compensation. However, if the Company has accumulated deficit, the priority is to allocate an amount to offset the deficit first. The recipients of employee compensation paid in the form of stocks or cash include employees of subsidiary companies who meet certain conditions.

Estimated employee compensation for the Company in 2022 and 2021 was NT$2,012 thousand and NT$923 thousand, respectively, and estimated compensation for directors and supervisors was NT$1,500 thousand and NT$1,846 thousand, respectively. These amounts were based on the pre-tax net profit for the relevant period, after deducting employee and director/supervisor compensation and accumulated losses, multiplied by the percentage of employee compensation and director/supervisor compensation as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses for the relevant period. If the Board of Directors resolves to issue employee compensation in the form of stocks, the number of shares for stock compensation is calculated based on the closing price of the Company's common stock on the day of the Board's resolution.

For the year 2021, the remuneration amounts approved by the Board of Directors for employees, directors, and supervisors of the Company are the same as the estimated amounts for 2021. For the year 2022, the remuneration amounts approved by the Board of Directors for employees, directors, and supervisors of the Company differ from the estimated amounts for 2022 by NT$488 thousand and NT$500 thousand, respectively. This is mainly due to differences in the Company's accounting estimates, and the difference will be recognized as income and expenses in 2023.

(16) Non-operating income and expenses

1. Other income

The details of other income of the consolidated company are as follows:

	Year 2022	Year 2021
Interest income	$ 1,698	3,282
Dividend income	510	300
	$ 2,208	**3,582**

2. Other gains and losses

The details of other gains and losses of the consolidated company are as follows:

		Year 2022	Year 2021
Foreign exchange gains	$	37,987	1,353
Gains and losses through fair value adjustments recognized in profit (loss)		(5,508)	-
Loss on disposal of fixed assets		(173)	-
Other gains and losses		528	5,530
	$	**32,834**	**6,883**

3. Finance costs

The details of financial costs of the consolidated company are as follows:

		Year 2022	Year 2021
Interest expense.	$	**(1,137)**	**(1,709)**

(17) Financial Instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure.

(2) Concentration of credit risk

The Company has a broad customer base and does not significantly concentrate transactions with a single customer, and the sales are distributed in various regions, thus there is no significant concentration of credit risk.

(3) Credit risk of accounts receivable and debt securities

For information on the credit risk exposure of notes and accounts receivable, please refer to Note 6(3).

Other financial assets measured at amortized cost include other receivables. All of the above are financial assets with low credit risk, and therefore, the provision for credit losses is measured based on the expected credit losses within the next twelve months. The fixed deposits held by the Company are with counterparties and issuers that have investment-grade or higher credit ratings, and thus are considered low risk. Changes in the provision for credit losses for 2022 and 2021 fiscal years are as follows:

	Other receivables
January 1, 2022 balance	$ 36,992
December 31, 2022 balance	**$ 36,992**
January 1, 2021 balance	$ 36,992
December 31, 2021 balance	**$ 36,992**

2. Liquidity risk

The following table presents contractual due dates of financial liabilities, including estimated interests but not effects of net amount agreements.

	Book Value	Cash flow	Contract: 6 months. Within:	6- 12 month	1 to 2 years	2 to 5 years	Over 5 years
December 31, 2022							
Non-derivitive financial liabilities:							
Floating rate instruments	$ 30,000	30,020	30,020	-	-	-	-
No liabilities with interests	165,601	165,601	165,601	-	-	-	-
Lease Liabilities (including non-current)	6,786	7,218	1,753	1,337	2,277	1,851	-
	$ 202,387	**202,839**	**197,374**	**1,337**	**2,277**	**1,851**	**-**
December 31, 2021							
Non-derivitive financial liabilities:							
Floating rate instruments	$ 117,000	117,179	117,179	-	-	-	-
No liabilities with interests	147,208	147,208	147,208	-	-	-	-
Lease Liabilities (including non-current)	4,180	4,627	1,259	1,180	2,098	90	-
	$ 268,388	**269,014**	**265,646**	**1,180**	**2,098**	**90**	**-**

The Group does not expect time of occurrence of cash flow analyzed on due date will be materially moved forward, or actual amounts to be materially different.

3. Exchange rate risk

Financial assets and liabilities of the Group under the exposure of material foreign exchange rate risk are as follows:

	2022.12.31			2021.12.31		
	Foreign currenc	**Exchange rate**	**New Taiwan Dollar**	**Foreign currenc**	**Exchange rate**	**New Taiwan Dollar**
Financial Assets						
Monetary items						
USD	$ 6,607	30.710	202,901	4,848	27.680	134,193
USD:RMB	1,703	6.697	52,299	874	6.372	24,192
Non-monetary items						
USD	1,245	30.71	38,229	1,548	27.680	42,860
Financial liabilities						
Monetary items						
USD	2,021	30.710	62,065	832	27.680	23,030

The exchange rate risk of the consolidated company mainly comes from cash and cash equivalents, accounts receivable and other receivables, financial assets measured at fair value through other comprehensive income, accounts payable, and other payables denominated in foreign currencies, which generate foreign exchange gains and losses upon translation. As of December 31, 2022 and 2021, if the NTD and RMB depreciate or appreciate against the USD by 0.5% while all other factors remain constant, the consolidated net profit after tax for 2022 and 2021 will increase or decrease by $773 and $541, respectively; the equity will increase or decrease by $153 and $171, respectively, due to financial assets measured at fair value through other comprehensive income. The analysis of the two periods is based on the same basis.

Due to the various functional currencies of the consolidated company, the information on gains and losses from foreign exchange translation of monetary items is disclosed in an aggregated manner. The gains from foreign exchange translation (including realized and unrealized) for 2022 and 2021 are $37,987 and $1,353, respectively.

(1) Interest rate analysis.

The interest rates of financial assets and financial liabilities of the consolidated company are subject to liquidity risk management described in the attached note.

The following sensitivity analysis is based on the interest rate risk on the reporting date of derivative and non-derivative instruments. For floating-rate liabilities, the analysis assumes that the amount of outstanding debt on the reporting date remains outstanding throughout the year. The volatility used by the consolidated company's management to report interest rates internally is an increase or decrease of 0.5%, which also represents the assessment range of management's reasonable possible changes in interest rates.

If the interest rate increases or decreases by 0.5% while all other variables remain constant, the consolidated net profit after tax for 2022 and 2021 will increase or decrease by $120 and $468, respectively, mainly due to the variable rate borrowings of the consolidated company.

(2) Other price risks.

If there is a change in the fair value of equity securities on the reporting date (assuming the same basis of comparison for both periods and no changes in other variables), the impact on comprehensive income items is as follows:

	Year 2022		Year 2021	
Securities prices at the reporting date	**Tax-affected amount of net income**	**Tax-affected amount of other comprehensive income**	**Tax-affected amount of net income**	**Tax-affected amount of other comprehensive income**
Up 0.5%.	$ 80	100	78	-
Decline by 0.5%	$ (80)	(100)	(78)	-

4. Fair value

(1) Types of financial instruments and fair value

The book values and fair values (including fair value hierarchy information) of the consolidated company's financial assets and financial liabilities are presented below. Note that the book values of financial instruments that are not measured at fair value but whose book values are reasonable approximations of their fair values, as well as lease liabilities, are not required to be disclosed with fair value information according to regulations.

	2022.12.31				
		Fair value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss.					
Foreign listed (OTC) stocks	$19,742	19,742	-	-	19,742
Domestic listed (OTC) stocks	5,382	5,382	-	-	5,382
Beneficiary certificates	533	533	-	-	533
Subtotal	25,657	25,657	-	-	25,657
Unrealized losses on financial assets measured at fair value through other comprehensive income.					
Foreign corporate bonds	38,229	-	38,229	-	38,229
Domestic listed (OTC) stocks	16,000	-	16,000	-	16,000
Subtotal	54,229	-	54,229	-	54,229
Financial assets measured at amortized cost					
Cash and Cash Equivalents	245,962	-	-	-	-
Notes receivable and accounts receivable (including related parties)	158,460	-	-	-	-
Other receivables	4,550	-	-	-	-
Deposits paid for guarantees (classified as other non-current assets)	888	-	-	-	-
Subtotal	409,860	-	-	-	-
Total	**$489,746**	**25,657**	**54,229**	**-**	**79,886**
Financial liabilities measured at amortized cost：					
Bank loans	$ 30,000	-	-	-	-
Accounts payable	129,538	-	-	-	-
Other accounts payable	36,063	-	-	-	-
Lease Liabilities (including non-current)	6,786	-	-	-	-
Total	**$202,387**	-	-	-	-

	2021.12.31				
		Fair value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss.					
Beneficiary certificates	$ 691	691	-	-	691
Financial assets at fair value through other comprehensive income					
Foreign corporate bonds	42,860	-	42,860	-	42,860
Domestic listed (OTC) stocks	15,560	-	15,560	-	15,560
Subtotal	58,420	-	58,420	-	58,420
Financial assets measured at amortized cost					
Cash and Cash Equivalents	187,464	-	-	-	-
Notes receivable and accounts receivable (including related parties)	181,951	-	-	-	-
Other receivables	8,028	-	-	-	-
Deposits paid for guarantees (classified as other non-current assets)	661	-	-	-	-
Subtotal	378,104	-	-	-	-
Total	$437,215	691	58,420	-	59,111
Financial liabilities measured at amortized cost：					
Bank loans	$ 117,000	-	-	-	-
Accounts payable	111,294	-	-	-	-
Other accounts payable	35,914	-	-	-	-
Lease Liabilities (including non-current)	4,180	-	-	-	-
Deposits received (recorded as other non-current liabilities)	7,031	-	-	-	-
Total	$275,419	-	-	-	-

(2) Evaluating technique of fair value of financial instruments measured at fair value

For financial instruments that have active markets and public quotations, the fair value is determined using the quoted prices in the active market. The fair value of listed (OTC) equity instruments and debt instruments with active markets and public quotations announced by the central government bond over-the-counter exchange and determined to be popular securities is based on their market prices.

If the financial instruments can be obtained through a timely and frequent public quotation from exchanges, brokers, underwriters, industry associations, pricing service organizations, or regulatory authorities, and the price represents the fair market value of actual and frequent transactions, then the financial instruments have active market public quotations. If the above conditions are not met, the market is considered inactive. Generally, a large bid-ask spread, a significant increase in bid-ask spread, or low trading volume are indicators of an inactive market.

For financial instruments held by the consolidated company that have active markets, their fair value is determined separately based on market quotations, which have standard terms and conditions and are traded in active markets.

(3) Transfers between level 1 and level 2.

There were no transfers of level 2 financial assets to level 1 in 2022 and 2021.

(18) Financial risk management

1. Overview

Due to usage of financial instruments, the Group is exposed to the following risks:

(1) Credit risk

(2) liquidity risk

(3) market risk.

The accompanying notes express the exposure information of the above risks for the consolidated company, as well as the objectives, policies, and procedures for measuring and managing risks.

For further quantified disclosure, please refer to the respective notes in this financial report.

2. Risk management structure

The financial management department of the consolidated company provides services to various businesses, coordinates and manages the entry into domestic and international financial markets, and supervises and manages the financial risks related to the operation of the consolidated company by analyzing the internal risk reports of exposures based on the degree and breadth of risk. Internal auditors continuously review compliance with policies and exposure limits. The consolidated company does not conduct transactions of financial instruments (including derivative financial instruments) for speculative purposes.

3. Credit risk

Credit risk refers to the risk that the Company may suffer financial losses due to the failure of its customers or counterparties of financial instruments to fulfill contractual obligations. It mainly arises from accounts receivable from customers and securities investments.

(1) Accounts receivable and other receivable

The Company's policy is to only transact with reputable counterparties and obtain collateral when necessary to mitigate the risk of financial losses due to default. The Company only transacts with enterprises rated at an investment grade level. Such information is provided by independent rating agencies. If such information cannot be obtained, the Company will use other publicly available financial information and transaction records to rate its major customers. The Company continuously monitors credit exposure and counterparties' credit ratings and distributes the total transaction amount among customers with qualified credit ratings. The Company controls credit exposure by annually reviewing and approving counterparties' credit limits.

Due to the Company's extensive customer base, which is not significantly concentrated on a single customer and is geographically diverse, there is no significant concentration of credit risk related to accounts receivable. In order to reduce credit risk, the Company also regularly evaluates the financial condition of its customers, but usually does not require collateral from them.

(2) Investment

Credit risk of bank deposits and other financial instruments is measured and monitored by the finance department of the consolidated company. Since the counterparty and performance parties of the consolidated and company are banks and financial institutions, corporate organizations, and government agencies with good credit ratings or above, there is no significant doubt about their performance, and therefore there is no significant credit risk.

(3) Guarantees

The policy of the consolidated company stipulates that financial guarantees can only be provided to wholly-owned subsidiaries. As of December 31, 2022 and 2021, the consolidated company did not provide any endorsement guarantees.

4. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Company supervises the utilization of bank credit lines and ensures compliance with loan contract terms.

Bank loans are an important source of liquidity of the Consolidated company. As of December 31, 2022 and 2021, the unused short-term bank credit lines of the Company were NT$370,000 thousand and NT$283,000 thousand, respectively.

5. Market risk

Market risk refers to the risk of loss in earnings or value of financial instruments held by the Company due to changes in market prices such as exchange rates, interest rates, and equity instrument prices. The goal of market risk management is to control the level of market risk exposure within acceptable limits and optimize investment returns.

(1) Exchange rate risk

The consolidated company is exposed to foreign exchange risk arising from sales and purchasing transactions denominated in non-functional currencies of the respective group entities. The primary currencies used in these transactions are New Taiwan Dollars and US Dollars.

(2) Interest Rate Risk

The consolidated company faces cash flow risk due to the individual entities borrowing funds at floating interest rates. The consolidated company manages interest rate risk by maintaining an appropriate portfolio of floating interest rates.

(19) Capital management

The capital management objective of the consolidated company is to ensure the ability to continue operating, provide returns to shareholders and other stakeholders, and maintain an optimal capital structure to reduce funding costs.

To maintain or adjust the capital structure, the consolidated company may adjust the payment of dividends to shareholders, reduce capital and return funds to shareholders, issue new shares, or sell assets to pay off debt.

The consolidated company, like its peers, manages capital based on the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is the total amount of liabilities listed in the balance sheet minus cash and cash equivalents. Total capital is the sum of all equity components (i.e., share capital, capital surplus, retained earnings, and other equity) plus net debt.

The capital management policy of the merged company for the year 2022 is consistent with that of 2021, which aims to ensure the ability to continue operations, provide shareholder returns and benefits to other stakeholders, and maintain an optimal capital structure to reduce funding costs by maintaining a debt-to-capital ratio between 3% and 8%. As of December 31, 2022 and 2021, the debt-to-capital ratios are as follows:

	2022.12.31	2021.12.31
Liabilities Total	$ 304,979	349,894
Less: Cash and Cash Equivalents	(245,962)	(187,464)
Liability	59,017	162,430
Total equity	1,849,040	1,797,946
Total Assets	**$ 1,908,057**	**1,960,376**
Debt to assets ratio	**3 %**	**8%**

As of December 31, 2022, the capital management approach of the merged company has not changed.

7. Transactions with related parties

(1) Name of the related parties and the relations

During the coverage period of this consolidated financial report, the related parties who had transactions with the consolidated company are as follows:

Related Party Name	Relationship with the Consolidated Company
CHU-TING CORP.	Chairman of this company is the same as the Chairman of the other company.
LIN I-Chin	Chairman of this company
Lin, Wen-Teng	Director of this company
Shanghai Shenglongpuhua Hotel Co., Ltd.(Hereafter referred to as "Shanghai Puhua")	The chairman of the subsidiary is the same as the chairman of the Company.
PU HWUA ENTERPRISE CO., LTD (Hereafter referred to as " PU HWUA ")	The chairman of the subsidiary is the same as the chairman of the Company.
Juyang Xingye Industrial Co., Ltd. (Hereafter referred to as " Juyang Xingye")	The chairman of the Company is also a director of the subsidiary.

(2) Significant transactions with related parties:

1. Sales Revenue

Amounts of major sales of the Group to related parties are as follows:

Names of related parties	Year 2022	Year 2021
Others related parties- PU HWUA	$ 3,730	2,985
Others related parties-Shanghai Puhua	2,775	395
Others related parties-CHU-TING CORP.	919	7,259
Others related parties	$ **7,424**	**10,639**

The selling prices of the Company's sales to the aforementioned related parties are not significantly different from the normal selling prices. The average credit period granted to related parties by the Company in the fiscal year 2022 and 2021 was approximately 120 days, while for general customers it was about 30 to 90 days.

2. Accounts receivable from related parties.

Details of payables to related parties of the Group are as follows:

Account items	Relationship Type	2022.12.31	2021.12.31
Accounts Receivable	Other Related Parties	$ **2,558**	**6,917**

3. Other payable related party accounts

The details of the consolidated company's payable related party accounts are as follows:

Account items	Relationship Type	2022.12.31	2021.12.31
Accounts payable	Other related parties	$ **62**	**128**

4. Leases

The operating lease between the consolidated company and other related parties is based on the neighboring rental market and rental payments are collected monthly from the related parties.

The lease income reported in 2022 and 2021 were $225 and $154, respectively. The related security deposits were $16 and $18, respectively, as of December 31, 2022 and 2021.

In November 2022, the consolidated company signed a five-year lease agreement with the key management personnel for office space, based on the neighboring rental market, with a total contract value of $5,309. The interest expense recognized in 2022 was $88. The lease liability as of December 31, 2022 was $4,808.

(3) Others

In case of registering real estate under the name of other related parties, please refer to Note 6(7) for details.

(4) Transactions of major management personnel compensation of major management personnel

The compensation of major management personnel includes:

	Year 2022	Year 2021
Short-term Employee Benefits.	$ 11,769	11,064
Post-Employment Benefits	124	153
	$ 11,893	**11,217**

8. Pledged assets

Details of book value of assets offered as pledge guarantee by the Group are as follows:

Assets name	Target pledge guarantee	2022.12.31	2021.12.31
Property, plant, and equipment	Security for bank borrowings	$ 235,480	238,836
Investment property	〃	51,703	52,801
		$ 287,183	**291,637**

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Material Unrecognized Contractual Obligations:

On December 31, 2022 and December 31, 2021, the Company entered into contracts with suppliers for the purchase of equipment and construction of buildings. The details of the payments due under these contracts are as follows:

	2022.12.31	2021.12.31
Total Contract Price (Exclusive of Tax)	**$ 25,234**	**28,527**
Unpaid amount	**$ 11,971**	**20,637**

10. Significant disaster losses: None.

11. Significant subsequent events: None.

12. Others

Employee benefits, depreciation, amortization, and amortized expenses are summarized by function as follows:

Function / Nature	Year 2022			Year 2021		
	Under non-operating cost	Under non-operating cost	Total	Under non-operating cost	Under non-operating cost	Total
Employee benefits expenses						
Salary expense	21,580	81,397	102,977	26,649	70,252	96,901
Health and labor insurance expense	1,448	7,049	8,497	1,965	5,793	7,758
Pension expense	562	4,338	4,900	736	5,023	5,759
Other Employee benefit expense	897	4,983	5,880	2,458	5,831	8,289
Depreciation expenses	40,878	12,162	53,040	41,471	12,119	53,590
Amortization expense	1,765	2,984	4,749	2,517	1,628	4,145

13. Additional disclosure

(1) Information related to material transactions

In 2022, relevant information of material transactions to be further disclosed by the Group according to Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows：

1. Loans to others：

Unit: NTD 1,000

Number	Company providing the loan	Borrower	Account Receivable	Related Party	Maximum Amount in Current Period	Ending Balance	Actual Disbursement Amount	Interest Rate Range	Nature of Fund Lending	Business Transactions Amount	Short-Term Financing Necessity	Provision for Bad Debt Amount	Collateral		Individual lending limit for each party	Total lending limit
													Name	Value		
0	The Company	CHU-TING ENTERPRISE Co., Ltd	Other receivables	Yes	130,000	100,000	- (Note 3)	-	2 (Note 4)	-	Business requirements	-		-	184,904	739,616
1	Rectron Electronics (China) Co., Ltd.	CHU-TING ENTERPRISE Co., Ltd	Other receivables	Yes	26,533	26,411	26,411 (Note 3)	-	2 (Note 4)	-	Business requirements	-		-	157,512	196,891

Note 1: The business transaction amount between the Company and its counterparties is based on the cumulative purchase/sales amount within the preceding 12 months.

Note 2: According to the Company's regulations on providing funds to others, the calculation is as follows:

(1) The Company

Individual counterparty funding limit = Shareholders' equity x 10% = $1,849,040 x 10% = $184,904 The maximum funding limit for an individual counterparty = Shareholders' equity x 40% = $1,849,040 x 40% = $739,616.

(2) Rectron China:

Individual counterparty funding limit = Shareholders' equity x 30% = $393,781 x 40% = $157,512. The maximum funding limit for an individual counterparty = Shareholders' equity x 40% = $393,781 x 50% = $196,891.

Note 3: Already eliminated during the preparation of the consolidated financial statements.

Note 4: (1) Business transaction with counterparts exists.

(2) Short-term funding is necessary.

2. Endorsement guarantees for others: None.

3. Status of holding marketable securities at the end of the period (excluding investments in subsidiaries, affiliated companies, and joint venture equity):

Companies held	Type and name of securities held	Relationship with the issuer of securities	Account	End of period				Maximum shareholding or contribution in the middle of the period	Note
				Number of shares	Book Value	Percentage of shareholding	Fair value		
The Company	Stock - Sunny Bank	-	Financial assets carried at fair value through other comprehensive income - non-current	1,515,198	16,000	0.05%	16,000	0.05%	
The Company	Corporate bonds - APPLE	-	Financial assets carried at fair value through other comprehensive income - non-current	-	25,444	- %	25,444	- %	
The Company	Corporate bonds - AT&T	-	Financial assets carried at fair value through other comprehensive income - non-current	-	8,631	- %	8,631	- %	
The Company	Corporate bonds - Pfizer	-	Financial assets carried at fair value through other comprehensive income - non-current	-	4,154	- %	4,154	- %	
CHU-TING	Fund - Yuanta High Dividend 0056	-	Financial assets measured at fair value through profit or loss.	21,000	533	- %	533	- %	
CHU-TING	Stock - Amazon	-	Financial assets at fair value through profit or loss - Current	5,600	14,446	- %	14,446	- %	
CHU-TING	Stock - TSMC		Financial assets at fair value through profit or loss - Current	12,000	5,382	- %	5,382	- %	
CHU-TING	Stock - Tesla		Financial assets at fair value through profit or loss - Current	1,400	5,296	- %	5,296	- %	

4. Cumulative amount of buying or selling the same security reaches NT$300 million or 20% of paid-in capital: None.

5. Acquisition of real estate amounts to NT$300 million or 20% of paid-in capital or more: None.

6. Disposal of real estate amounts to NT$300 million or 20% of paid-in capital or more: None.

7. The amount of purchases and sales with related parties reaches NT$100 million or 20% of paid-in capital:

Company purchasing (selling) goods	Trading partner name	Relation	Transaction condition				Special conditions and reasons different from normal transactions		Accounts receivable (payable)		Remarks
			Purchase (sales)	Amount (Note)	Percentage of total purchases (sales)	Credit period	Unit Price	Credit period	Balance	Percentage of total accounts receivable (payable)	
The Company	Rectron China	Parent-subsidiary relationship	Purchases	337,793	68 %	Normal	Normal	90~ 120 days	(49,863)	(38) %	
Rectron China	The Company	Parent-subsidiary relationship	Sales	(337,793)	38 %	Normal	Normal	90~ 120 days	49,863	31 %	
Rectron China	Zhejiang Rectron	Investee companies that are also evaluated using the equity method by the Company	Purchases	145,620	29 %	Normal	Normal	120 days	(15,890)	(12) %	
Zhejiang Rectron	Rectron China	Investee companies that are also evaluated using the equity method by the Company	Sales	(145,620)	17 %	Normal	Normal	120 days	15,890	10 %	

Note: Already eliminated during the preparation of the consolidated financial statements.

8. Receivables from related parties reach NT$100 million or 20% of paid-in capital: None.

9. Engagement in derivative instruments: None.

10. Business Relationships and Significant Transactions between Parent and Subsidiary Companies：

Number	Name of transaction party	Counterparty	Relationship with the transaction party	Nature of transaction			
				Account	Amount	Transaction terms	Percentage of transaction amount to total consolidated revenue or assets
0	Rectron Ltd.	Rectron China	1	Cost of Goods Sold	337,793	Calculated with finished product cost plus agreed profit.	38 %
0	Rectron Ltd.	Zhejiang Rectron	1	Sales revenue	29,912	Calculated with finished product cost plus agreed profit.	3 %
0	Rectron Ltd.	Rectron China	1	Accounts payable	49,863	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.	2 %
0	Rectron Ltd.	REEI	1	Sales revenue	64,024	Calculated with finished product cost plus agreed profit.	7 %
0	Rectron Ltd.	REEI	1	Accounts receivable	14,358	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.	1 %
1	Rectron China	CHU-TING	3	Other receivables	26,411	Adjusted according to the overall funding situation between the parent and subsidiary companies, with a term of 120 days as stipulated in the agreement.	1 %
1	Rectron China	Zhejiang Rectron	3	Cost of Goods Sold	145,620	Calculated with finished product cost plus agreed profit.	17 %

Note 1: The numbering method is as follows:

1. 0 represents the parent company.
2. Subsidiaries are numbered sequentially starting from 1 according to the company type using Arabic numerals.

Note 2: The types of relationships with the counterparty are indicated as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

(2) Re-investment related information:

In 2022, information of the Group's re-investment(does not include investee in mainland China)：

Investment Companies Name	Investee Companies Name	Geographic Region	Major Business Activities	Original Investment Amount		End-of-Period Holdings			Maximum Holdings or Contributions During the Period	Investee Companies Income or Loss for the Period	Investment Gains or Losses Recognized in the Period	Remarks
				Ending of this reporting period	As of the end of last year	Number of shares	Ratio	Book Value				
The Company	REEI	USA	Sales of rectifiers and other electronic components	142,264	142,264	205,000	100.00 %	21,394	100.00 %	8,700	8,700	
The Company	Rectron China	Hong Kong	Sales of rectifiers and other electronic components	607,273	607,273	20,000	100.00 %	393,781	100.00 %	51,667	51,667	
The Company	CHU-TING	Taiwan	Wholesale of tobacco and alcohol products and manufacturing and sales of medical equipment.	109,987	29,987	13,000,000	100.00 %	153,925	100.00 %	19,469	19,469	

Note: When preparing the consolidated financial statements, the company's securities holdings and the equity of subsidiaries have been eliminated.

(3) Information on investments in mainland China:

1. Name of the invested company in mainland China, and related information on the main business items:

Investee in mainland China Company Name	Major Business Activities	Paid-in capital.	Investment method	Cumulative amount of investments exported from Taiwan at the beginning of the period.	Amount of investments exported or withdrawn during the period.		Cumulative amount of investments exported from Taiwan at the end of the period.	Investee Companies Income or Loss for the Period	The shareholding ratio of the company's direct or indirect investment	The highest shareholding or capital contribution in the period	Investment gains and losses are recognized in the current period	The book value of the investment at the end of the period	Investment income has been repatriated as at the end of the period
					Remitted out	Recovered							
Zhejiang Rectron Electronics (China) Co., Ltd.	Manufactures and sells electronic components such as rectifiers	409,029 USD12,000	(3)	409,029 USD12,000	-	-	409,029 USD12,000	(7,732)	100.00 %	100.00%	(7,732)	253,491	-

2. Investment limit in mainland China:

Period end accumulated investment amount remitted from Taiwan to mainland China	Investment amount approved by Investment Commission of the Ministry of Economic Affairs (MOEAIC)	It is in accordance with the quota stipulated by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) for investment in mainland China.
332,172 USD12,000	442,066 USD15,970	1,109,424

Note 1: Investment methods are categorized into the following three types, simply indicated by their types:

(1) Direct investment in mainland China.

(2) Investment in Mainland China through a third-party company in another region (please specify the investment company in that third region). (3) Others method.

Note 2: In the investment gains/losses recognized in this period column:

(1) If it is under preparation and there are no investment gains/losses yet, it should be noted.

(2) The basis for recognizing investment gains/losses is the financial statements audited and certified by the certified public accountant of the Taiwan parent company.

Note 3: According to the "Principles for Reviewing Investment or Technical Cooperation in Mainland China," there are limits to the amount of investment.

Equity net worth × 60% = NT$1,849,040 thousand × 60% = NT$1,109,424 thousand.

Note 4: Significant transaction matters directly or indirectly occurring between the Mainland China investment company and a third-party enterprise through a third region:

For significant transaction matters directly or indirectly occurring between the merged company and the Mainland China investment company through a third region, please refer to Note 7 for details.

1. Significant transaction matters:

Significant transaction matters directly or indirectly occurring between the merged company and the Mainland China invested company during the fiscal year 2022 (already offset in the preparation of the consolidated report), please refer to the "Related Information on Significant Transaction Matters" for details.

(4) Major shareholder information:

Unit: Shares

Shareholdings / Major Shareholder Name	Number of Shares Held	Percentage of shareholding
Juiye Enterprise Co., Ltd.	42,788,288	25.72%
Bigwig Perfect International Co., Ltd.	38,141,792	22.93%

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the ordinary and preferred shares, including treasury stocks, completed without physical registration delivery by the last business day of each quarter and reaching more than 5% of the total outstanding shares of the company. The number of shares of the company's financial reports and the actual completed shares without physical registration delivery by the company may differ due to different calculation bases.

14. Segment Information

(1) General information

The consolidated company has four reporting segments: Electronics, Real Estate Investment, Medical Equipment, and Wine Trading. The Diode segment is engaged in the manufacturing and sales of various rectifiers and other semiconductor components. The Real Estate Investment segment is engaged in the business of leasing office buildings and factories. The Medical Equipment segment is engaged in the business of buying and selling and manufacturing masks. The Wine Trading segment is engaged in the business of trading red and white wines.

The reporting segments of the consolidated company are strategic business units that provide different products and services. As each strategic business unit requires different technology and marketing strategies, they need to be managed separately.

(2) Information of profit or loss, assets, liabilities, basis and adjustments of which of departments to be reported.

The consolidated company uses the departmental pre-tax profit (excluding non-recurring gains and losses and exchange gains and losses) reviewed by the chief operating decision-maker in the internal management report as the basis for resource allocation and performance evaluation by the management. Since income tax, non-recurring gains and losses, and exchange gains and losses are managed on a group basis, the consolidated company does not allocate income tax expenses (benefits), non-recurring gains and losses, and exchange gains and losses to the reporting segments. In addition, not all significant non-cash items, other than depreciation and amortization, are included in the income statement of all reporting segments. The amounts reported are consistent with the reports used by the operating decision-makers.

The information and adjustments for the operating segments of the consolidated company are as follows:

Year 2022	Electronic Department	Real Estate Investment Department	Medical Equipment Department	Liquor Trading Department	Adjustments and Eliminations	Total
Revenue:						
Revenue from external customers	$ 779,989	26,873	65,400	5,371	-	877,633
Interdepartmental revenue	596,452	-	585	-	(597,037)	-
Interest income	1,698	-	-	-	-	1,698
Total revenue	$1,378,139	26,873	65,985	5,371	(597,037)	879,331
Interest expense	$ 1,137	-	-	-	-	1,137
Depreciation and amortization	29,717	10,038	9,703	-	-	49,458
Reported pre-tax profit/loss by segment.	**$ 157,329**	**14,096**	**32,270**	**950**	**-**	**204,645**
ASSETS:						
Investment accounted for using the equity method	$ 569,100	-	-	-	(569,100)	-
Assets of reportable segments.	**$1,559,844**	**975,678**	**161,863**	**25,734**	**(569,100)**	**2,154,019**

Year 2021	Electronic Department	Real Estate Investment Department	Medical Equipment Department	Liquor Trading Department	Adjustments and Eliminations	Total
Revenue:						
Revenue from external customers	$ 652,431	29,677	60,805	2,937	-	745,850
Interdepartmental revenue	324,022	-	151	-	(324,173)	-
Interest income	3,282	-	-	-	-	3,282
Total revenue	$ 979,735	29,677	60,956	2,937	(324,173)	749,132
Interest expense	$ 1,709	-	-	-	-	1,709
Depreciation and amortization	44,241	5,439	8,055	-	-	57,735
Reported pre-tax profit/loss by segment.	**$ 70,599**	**16,679**	**2,657**	**694**	**-**	**90,629**
ASSETS:						
Investment accounted for using the equity method	$ 438,704	-	-	-	(438,704)	-
Assets of reportable segments.	**$ 1,622,384**	**935,065**	**167,054**	**25,734**	**(576,663)**	**2,173,574**

(3) Regional Information:

The following is the regional information of the consolidated company. Revenue is classified based on the geographic location of customers.

Region:		Year 2022	Year 2021
Revenue from external customers			
Taiwan	$	88,082	86,747
Asia		639,472	548,060
America		135,687	79,953
Europe		13,189	29,675
Others		1,203	1,415
	$	**877,633**	**745,850**